The China Weekly REVIEW

密勒氏評論報

A Weekly Newspaper Established in 1917

Soong's Resignation Due to Japanese Intrigue!

While there have been long-standing differences between the Finance Minister and the head of the Military Establishment, it was Japanese intrigue which finally forced the issue.

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The "Inevitable" War in the Pacific . . . By Upton Close

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WASHINGTON OFFICE
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Colorado Building, Washington, D. C.

THE THREATENING FINANCIAL SITUATION

THE Shanghai *Morning Post*, which is General Chiang Kai-shek's organ in Shanghai, published an editorial in its issue of Tuesday morning of this week which contained facts and figures of most alarming nature. In the first place the current year's budget indicates revenues of $680,415,589 and expenditures of $828,921,964, leaving a deficit of $148,506,375. This means that the National Government is spending $12,375,500 more every month than the government is receiving. Even this startling figure may be exceeded because state revenues from the customs, salt and consolidated tax may be reduced because of disturbed economic and political conditions in the interior. And this does not tell the whole story because the excess of China's imports over her exports is reaching an alarming total, exceeding two and a half billion taels for the past ten years. The excess of imports over exports during the first six months of this year amounted to 482,640,000 taels, according to the editorial in Gen. Chiang's paper. In previous years the deficit between what China bought and what she sold was largely made up by the remittances of Chinese who live abroad but these remittances have dwindled because of difficult economic conditions in the communities where the overseas Chinese reside. In the face of this situation, China is most certainly and inevitably drifting in the direction of bankruptcy and financial suicide. A chief reason for the governmental deficit is the mounting military expenditures. Two years ago the army took 33 percent of the total. Last year it increased to 42 percent and this year it will be above 50 percent or more than half the government's income. And in addition to the military expenditures, there is the matter of interest on debts, domestic and foreign, so that when the Government gets through paying the army and the interest on the debts there is little left for the normal activities of the Government, including salaries of civil officials, education, and so on. There is, of course, considerable wastage of money on superfluous organs and officials, but this is infinitesimal as compared with the military expenditures and debt payments. Remember, this appeared in Gen. Chiang Kai-shek's paper on the day following the resignation of Finance Minister Soong, hence there is unusual

interest in the recommendations for relief: First, the Government must enact legislation providing for death-duties (inheritance tax) and an income-tax. Second, the Government must reduce expenditures if it would balance its budget. As to the growing deficit in the balance of trade, China must enact a protective tariff to provide protection for home industries and at the same time provide more revenues for the state. Complete tariff autonomy must be achieved and the most-favored-nation-clause in the tariff agreements with foreign countries must be eliminated. It was interesting that no mention was made of defaulting on the foreign debts as a means of relieving the financial stringency, a practice which has been followed by most European countries. Also, there was no criticism of Minister Soong, despite the fact that one of the reasons given for his resignation was his inability to raise sufficient funds for Gen. Chiang's anti-red campaign. As a matter of fact the first sentence in the editorial said that the financial situation had become so desperate that even China's foremost financier, T. V. Soong, had been forced to resign, and this was followed by the statement that "although the personnel of the Finance Ministry had been changed, this does not mean that the financial stress of the Government has been relieved in the slightest degree!"

Of somewhat similar import was an editorial which was published in the *World Daily News*, Peiping, on October 28 when it was rumored, but not confirmed that T. V. Soong was planning to resign. Attention was called to the fact that the bond-market had slumped when it was rumored that Soong would resign, but had recovered when the rumor was denied. According to the Peiping paper this provided an excellent index to Chinese politics and did not reflect much credit on the Government because it indicated that the people have more confidence in Mr. Soong than in the Kuomintang or the National Government. In a constitutional state, declared the editorial, the overthrow of a government often has repercussions in the economic situation, but such usually does not occur in mere changes of finance ministers. Continuing, the editorial said that in recent years the government had depended upon domestic loans for administrative and military expences. These loans were raised through the efforts of Mr. Soong...."if the reports of Mr. Soong's resignation are not true and he remains in office, he should bend his energy to so strengthen the financial position of the government that, in the event of his resignation in future, the bond market will not be affected."

Yotaro Sugimura and the Present Political Crisis in the Nanking Government

THE present crisis in the National Government resulting in the resignation of T. V. Soong from the important office of Finance Minister and also as Vice-President of the Executive Yuan has been variously described as a "family" quarrel and as a squabble over the control of government finance. But there are many who profess to see in it a much more significant struggle involving fundamentals of governmental policy toward Japan and the League of Nations as well as the United States.

Several weeks ago when the Araki-dominated Japanese Government decided to send Yotaro Sugimura to China it was announced that the primary purpose was to combat League influence in this country. Since Mr. Sugimura previously had served as Japanese under-secretary at the League there was undoubted significance in his appointment. On September 10, shortly following the announcement of Sugimura's appointment, he contributed an article to a Japanese magazine stating there was no hope for China without Japanese-directed international control. In a further article dealing with League activities in China which appeared in the September issue of the *Bungei Shunju* (Tokyo) Sugimura analyzed in great detail the question of League technical cooperation in China and pointed out the alleged dangers to Japan which were involved in the scheme. In his opinion the matter of the League's dispatch of technical advisers to China was intimately connected with Japan's withdrawal from the Geneva organ. He then declared, "The League has not sufficient financial power to help China, nor can the United States find means to extend monetary aid as in the past. Moreover, judging from the fact that none can safely predict what may happen in China, Britain and the United States.....would by no means be able to hold intact their right and interests in China without Japan's assistance." Still later, following the announcement of the American cotton and wheat loan to China, Sugimura was quoted as declaring that under present conditions prevailing in China "it would be useless to extend effective financial assistance to China unless the country was placed under international management and control." It was in this same connection that a spokesman of the Tokyo General Staff was quoted as advocating Japan's seizure of China's wireless, telegraphs and telephones as a means of enforcing repayment of the defaulted Nishihara loans and other obligations, amounting, according to the Japanese estimates to more than Yen 300,000,000. On October 28 the *United Press* carried a report from Tokyo stating Japan's intention of "testing the sincerity of the Chinese Government toward Japan" by demanding the repayment of China's old loans to Japan, through Minister Ariyoshi, who is now in Peiping and also through Consul-General Hidaka at Nanking.

Prior to his arrival at Shanghai during the week of September 28 Sugimura made a tour of Manchuria and north China, following which he visited Nanking and Hankow. In Hankow he was quoted as stating in the course of an address before a Chinese audience that China's employment of Dr. Ludwig Rajchman as a League technical adviser "was likely to turn out as disastrously as the National Government's employment of the Soviet adviser, Borodin had been in 1926-1927." Whether Sugimura actually made this statement is not known, but in his article in the *Bungei*

Shunju, referred to in the foregoing, he said that he had once discussed Chinese politics with Dr. Rajchman at Geneva and Dr. Rajchman allegedly had said that he intended to live and work with the Chinese "just as the Soviet representative Borodin had done at Canton and Hankow."

In view of these various declarations it is difficult to escape the conclusion that there is some direct or indirect connection between Sugimura's present activities and the present crisis at Nanking which involves the fundamental problem of China's external relations. Japan is now pursuing what some of the Chinese newspapers have described as "triangular diplomacy," involving negotiations with the Chinese Minister, Chiang Tso-ping at Tokyo, with Huang Fu at Peiping and Nationalist officials at Nanking and Shanghai. Realizing the impossibility of forcing China into direct negotiations for a consideration of the Manchurian and other issues, the Japanese are now attempting to obtain their ambitions by "piecemeal" discussions, emphasizing certain issues at one point and other issues at other points. At Peiping, Japan is chiefly interested in re-establishing relations with Manchukuo involving railway and postal communications and the demarcation of a boundary between the puppet state and north China. At Nanking and Shanghai, Japan has two chief objectives: First the lowering of the Chinese tariff on Japanese goods; and second, the breaking down of the Chinese boycott on Japanese products. Both of these issues involve finance, hence the reports which have appeared in the Japanese newspapers that Japan is prepared to assist China in prosecuting the anti-communist war providing China would be willing to conclude an economic alliance or "bloc" with Japan somewhat similar to the Japan-Manchukuo bloc which has had the effect of squeezing American and European commercial competition out of the field and placing Japan in a monopolistic position. Just what line Japan may follow in extending financial assistance to China is not known but there have been numerous reports in the Japanese newspapers regarding Japanese intrigue with certain Chinese banking groups at Shanghai which are financially interested in Sino-Japanese trade. One of these reports was to the effect that Japan has promised to purchase a considerable portion of the American cotton and wheat on a cash basis, providing China will agree to eliminate the boycott and rescind the recent customs regulation requiring foreign products to be labeled with marks indicating country of origin. China's enactment of legislation requiring the labeling of imported products with marks indicating country of origin was done for the purpose of preventing the Japanese from faking American and European marks in order to get around the boycott.

In a further elaboration of his views on the situation in China which appeared in an interview in the *North-China Daily News* on October 30, Mr. Sugimura stated that the anomalous situation now prevailing in China made it more appropriate for Japan to deal direct with local administrations rather than with the Government "whose control of and touch with local administrations cannot be fully effective, owing in part to the enormous size of the country." In this connection Mr. Sugimura referred to Shantung province where the relations and understanding established between Gen. Han Fu-chu, governor of the province, and the Japanese Consul-General at Tsinanfu, had been most satisfactory. It was far simpler, in Mr. Sugimura's opinion, for "these two friends" to smoothe out difficulties in Shantung, than for Mr. Ariyoshi, the Japanese Minister to take up such troublesome issues with the Nanking Government. With reference to the National Government, Mr. Sugimura said that the Nanking administration did not exercise more than nominal control over outlying areas such as Canton, Szechuen, Shantung and Peiping, "hence it was essential for the Japanese authorities to make contact with Chinese spokesmen who could take full responsibility for undertakings given." In making this statement, Mr. Sugimura was but echoing the declaration of General Araki, Imperial Japanese War Minister, made several months ago to the effect that since Japan could not induce the Nanking Government to enter into direct negotiations over the Manchurian and other issues, Japan would accomplish her ends by obtaining "regional" understandings, beginning with the administration in Peiping which would be induced first to re-establish relations with Manchukuo. In this manner, by patient effort, Japan ultimately would bring all China to her point of view.

Aside from the Manchurian issue which Japan is now adjusting through separate negotiations with Gen. Huang Fu in Peiping, the most pressing Japanese problem is that of the Chinese tariff against Japanese goods, which is not only preventing the influx of Japanese "cheap" products, but also is stimulating Chinese manufacturers in the production of competitive articles. The present Chinese tariff which was adjusted early this year has two chief objects, protection of Chinese industries against Japanese dumping and increased revenues to make up for the loss resulting from Japan's seizure of the Chinese customs administration in Manchuria. Although no official statement has been issued, the Japanese newspapers have reported that T. V. Soong has been strongly opposed to any concessions to the Japanese on the tariff issue, arguing that any concessions at this time would amount to China's relinquishment to Japan of all of the benefits of tariff autonomy which have been gained after many years of struggle with the foreign powers on this important question. Should China now submit to Japan and reduce her tariff rates it would lead first to the bankruptcy of hundreds of Chinese manufacturers who have established industries for the production of native products which ordinarily could not exist in competition with cheap Japanese goods dumped on the China market. Second, if China should now reduce her rates as a result of Japanese pressure it would have the effect of placing Japan in control of China's tariff-making machinery and make it impossible for China to ever raise her rates in future without Japan's consent.

The chief reason why Japan is now so anxious to break down the Chinese tariff is due primarily to the fact that Japanese products either have been barred or are in process of being barred from some 30 different countries. When the Chinese first began boycotting Japanese products, following the Manchurian incident in

1931, the Japanese military authorities assured their manufacturers that other markets could be developed in other lands. By depreciating her currency and placing her industries on a "war" basis the Japanese succeeded for a time in disposing of large quantities of merchandise, but this naturally caused a serious reaction in other countries resulting in the erection of tariff barriers. Viscount Ishii, who represented Japan at the London Economic Conference and who made an extensive trip of investigation through the United States and Europe reported upon his recent return to Japan that the dumping of cheap Japanese merchandise on the world's markets had aroused vast animosity against Japan everywhere. He said that even President Roosevelt and Ramsay MacDonald had inquired how it was possible for Japan to sell such articles as rubber shoes at prices which were known to be below the cost of the raw materials used in the manufacturing process.

As a result of this situation, plus the economic crisis in Japan and the threatening international situation, the Japanese leaders have suddenly decided they must again patch up their complications with China—which explains the horde of Japanese emissaries who are now traveling about China interviewing Chinese officials of high and low degree and offering all kinds of inducements.

IMPENDING CHANGE IN CHINA'S POLICY TOWARD JAPAN

That the Japanese had prior knowledge of T. V. Soong's resignation was indicated in a *Rengo* dispatch from Peiping dated October 24 (*Japan Chronicle*) which alleged that Soong's resignation would be followed by a complete change in Chinese policy toward Japan in the direction of "friendship and conciliation." The report stated further that there would be other changes in the personnel of the Nanking Government, that Wu Cheng-hsin, a graduate of the Tokyo Imperial University and now manager of the Nanking branch of the Bank of China probably would be sent to Tokyo as Chinese minister in place of the present incumbent, Chiang Tso-ping who would be appointed chairman of the Hupeh provincial government. The present governor of Hupeh, Gen. Chang Chun, an outstanding advocate of Sino-Japanese reconciliation, was mentioned as Minister of Finance in succession to T. V. Soong. It was also stated in the report that Huang Fu, now head of the Peiping Political Committee might be made Minister of Foreign Affairs despite the fact that Wang Ching-wei had announced his intention of holding the position in addition to that of Chairman of the Executive Yuan. The Japanese *Rengo* report said that T. V. Soong's position had been made extremely difficult because of the "fierce opposition of the Chekiang financial clique which objected to the American cotton and wheat loan which Mr. Soong had contracted in the United States. As a result of the opposition of certain Chinese bankers in Shanghai who were allegedly under Japanese influence, they had refused to make any further loans to the Nanking Government so long as Mr. Soong remained in office. Consequently, Nanking had experienced extreme difficulty in raising large sums now needed in Gen. Chiang Kai-shek's anti-red war in Kiangsi.

Further dispatches from Peiping through the Japanese *Nippon Dempo* service which appeared in the Japanese newspapers during the week of September 18 also forecasted an early Sino-Japanese reconciliation. One such dispatch which appeared in the *Japan Advertiser* (Tokyo) on October 18 stated that Generals Huang Fu and Ho Ying-chin had held a conference with Col. Shiro Shibayama, Japanese Military Attache for the purpose of cooperation in the suppression of "anti-Japanese" newspapers in Peiping. The dispatch stated that this action was being taken in response to reports from Nanking regarding an impending change in governmental policy toward Japan. These reports also stated that following Minister Ariyoshi's arrival in Peiping negotiations would be started with Huang Fu for the settlement of the Manchurian issue, including the following points:

1—Japanese navigation of the Luan River which rises in Jehol and flows into the Gulf of Chihli to the north of Tientsin.

2—Re-establishment of postal communication between north China and the puppet state.

3—Re-establishment of through railway traffic between Peiping-Tientsin and Mukden, with an interchange of Chinese and Manchukuo guards at Shanhaikwan.

4—Demarcation of a boundary between north China and Manchukuo, including the joint control of the passes in the Great Wall.

5—Re-establishment of land communication through the reopening of the various motor-roads between Peiping and Jehol.

6—Establishment of Chinese and Manchukuo customs stations along the Great Wall.

7—Joint cooperation between China and Manchukuo in the maintenance of peace and order in the so-called demilitarized zone between Peiping-Tientsin and the Great Wall.

Minister Ariyoshi, in a *Reuter* interview at Peiping on October 28 denied that he was engaged in "direct-negotiations" with Huang Fu, but said that he preferred to dispose of Sino-Japanese problems "piecemeal." He admitted however, that negotiations were proceeding between Huang Fu and representatives of the Imperial Japanese Kwantung army for the re-establishment of postal and railway communications between north China and Manchukuo, the establishment of customs stations along the Manchukuo border and the complete withdrawal of Japanese troops from the demilitarized zone. Mr. Ariyoshi expressed the view that the Peiping regime was becoming "more stable," and declared that if Gen. Chiang Kai-shek could be provided with sufficient money his present drive against the reds in Kiangsi province "would be successful,, but if Gen. Chiang was not successful and the reds were able to penetrate to the Yangtsze it would have serious results for the present regime in Nanking." In conclusion Mr. Ariyoshi said there had been a great improvement in Peiping in the past year, that the anti-Japanese boycott was dying out, in fact had become extinct in some sections, and in consequence the trade between China and Japan was improving. Referring to the American cotton and wheat which the Nanking Government had contracted to purchase, Mr. Ariyoshi said that unless Japanese spinners in Shanghai bought considerable quantities of the cotton, it could not be absorbed by the Chinese mills. He declared

however, that the Japanese mill-owners at Shanghai were unable to purchase "at present prices."

A *Rengo* dispatch from Tokyo on October 30 referring to the passing of the anti-Japanese boycott in north China said there had been an increase in Japanese trade at Tientsin, Tsinan and Tsingtao and in addition there had been a "remarkable improvement" in Japanese trade along the Yangtsze. In view of the improvement in Japanese trade, the Foreign Trade Bureau of the Foreign Office had recommended the formation of a large trading company for the purpose of controlling and monopolizing Japanese commerce with China. The report stated that while there was considerable opposition to the proposal, there was a possibility of a "special guild" being formed among Japanese importers with the object of controlling and directing Japanese exports to China.

Evidence that the present negotiations in Peiping are proceeding satisfactorily for the Japanese was indicated in a dispatch which appeared in the *China Press* on October 30 stating that the through traffic on the Peiping-Mukden railway would be resumed on November 10, the arrangement having been made by Ying Tung, a representative of Huang Fu, who had been sent to Dairen to negotiate directly with the Japanese military authorites. According to the agreement the Chinese and Manchukuo authorities will exchange railway guards at Shanhaikwan. As to the debt of the railway to British bondholders it was agreed that the Japanese will take care of obligations on the section between Shanhaikwan and Mukden while the Chinese will look after the British debt on the section south of the Great Wall. Through traffic on the Peiping-Mukden railway was suspended immediately following the Japanese intervention in Manchuria on September 18, 1931. Ying Tung has been appointed managing director of the railway.

Soong's Resignation---Is China to Be Ruled by Japan or by Chinese Communists?

A HIGH official of the National Government recently was asked what the decision would be if China had to choose between Japan or the Chinese Communists as future rulers of the country. Straightening up in his chair the official brought his hand down on his desk with a resounding thwack and in a quite un-Chinese-like manner declared, *"If it comes to that point and the Chinese people are compelled to make a decision between Japan or the Chinese Communists as future rulers of the nation, there can be no question as to their choice—the vote would be overwhelmingly in favor of the Communists because they are Chinese."*

Of course the situation in China has not yet reached the point and it may never reach the point where the Chinese people are compelled to make a decision on this vital issue, but the present tendency is in that direction. For several weeks China has been subjected to intense Japanese propaganda pressure applied by a horde of Japanese emissaries who has been dispatched to this country by the Military General Staff at Tokyo. These Japanese emissaries have included high diplomatic and military officials, businessmen and financiers, journalists, reservists and what-not and the propaganda they have been spreading has been designed to create the impression that the Manchurian issue is not important—that the fundamental problem in China is the suppression of Communism. The Japanese then follow up with the suggestion that China should forget or ignore the Manchurian issue and accept Japanese assistance in the eradication of Communism. Just what assistance Japan has offered in this connection is not known, but generally the Japanese have advised China to accept Japanese leadership in the form of an economic and military alliance that would have two major objectives, the elimination of Communist influence and the expulsion of occidental interests. Specifically, the Chinese are being advised to forget their animosities against Japan resulting from the seizure of Manchuria, the destruction of Chapei and the massacre of thousands of men, women and children and to cooperate with Japan to the extent of eliminating the boycott against Japanese merchandise, lowering the tariff on Japanese products, cancellation of the American cotton and wheat loan, repudiation of the contract for the employment of technical advisers recommended by the League of Nations, acceptance of Japanese financial and military assistance in the suppression of the Reds, and finally the negotiation of an economic and military alliance modeled on the Japan-Manchukuo Protocol which placed Japan in complete control of Manchurian diplomacy and defence.

On October 25 the office of the military attache at the Japanese Legation at Peiping issued a written memorandum stating that conditions now prevailing in China greatly resemble the situation following the war between China and Japan in 1894-1895. The statement referred to Chinese demands for the recovery of Manchuria, but said that Outer Mongolia has long been controlled by the Soviets and Inner Mongolia is also going red. Sinkiang and Chinghai may also shortly follow, while Tibet has declared its independence of the central government. Szechuen, Hupeh, Hunan, Fukien and Kiangsi are controlled by the Chinese Soviets who are directed by the Third International. The future of Kwangsi, Kwangtung and Yunnan is extremely doubtful. The movement for the disintegration of China is in full swing. Since the Mukden incident of September 18, 1931 the impotency of China has been revealed to the world and the Lytton Report clearly set forth the chaotic and disorganized state of the country. This has stimulated the appetites of the Powers and if possible they will divide the country and convert it into a colony. Indeed the situation of China today is similar to that which obtained at the close of the Sino-Japanes war of 1894-1895. Carefully omitting any reference to Japan's

seizure of the Manchurian provinces, the Japanese military statement then reviewed recent international developments in China, calling attention to an alleged British loan to Szechuen province and further British advances from the Boxer Indemnity for railway construction and purchase of steamships. Then followed a reference to American assistance to China in the organization of air-mail and passenger lines, the recent American cotton and wheat loan, German activity in Chinese aviation development and alleged German help in the construction of a chemical factory and steel plant, French seizure of the Coral Islands and aggressive economic

T. V. Soong, Finance Minister, who has resigned largely because of Japanese pressure and intrigue.

activities in Yunnan and finally the activities of the Powers generally in selling war munitions, airplanes and the recent League action in recommending technical advisers. In conclusion the Japanese military memorandum called attention to the fact that the period following the Sino-Japanese war of 1894-1895 was notable as an era of concession-hunting, that Russian influence extended over Manchuria, Korea and north China and that Japan was compelled, "in order to maintain the peace of the Far East," to defeat Russia and drive Russian interests out of South Manchuria. Japan's action thus checked the ambitions of the other Powers. Had it not been for Japan, China would long ago have been dismembered! Therefore, in view of this critical situation, China's present anti-Japanese activities are contrary to the natural principles of justice and reason and against the welfare and humanity of the Far East. The Foreign Powers must understand they cannot solve the Far Eastern situation without the goodwill and assistance of Japan!

No explanation is needed to acquaint the reader with the sinister motives behind this Japanese military propaganda. In the first place the Japanese militarists are using the Communist situation and the threat of an alleged Rusian advance southward through Mongolia to frighten China and the Powers into acquiescense in Japan's Aggression. Secondly, they are trying to show the Chinese that the other Powers are just as aggressive as are the Japanese, hence the futility of depending upon outside help against Japan. Thirdly, Japan intimates to the other Powers that they have no cause for interfering with Japan, but should accept Japan's leadership in the subjugation and dismemberment of China. Obviously the situation today differs materially from the period following the Sino-Japanese war when there was a scramble for concessions in China. But there is a world of difference between contracts entered into between the National Government and foreign firms today and what took place after 1895. Since the world war the whole tendency of American and European diplomacy has been toward the protection of China's territorial, political and administrative integrity — until September 18, 1931, when Japan threw all the treaties into the waste-basket and reverted to eighteenth century methods of aggression. But that fact was carefully concealed in the Japanese military document, which attempted to exploit the present disturbed psychology of the Chinese people and divert their animosities toward the occidentals. The Communist situation in China would long ago have been eradicated had it not been for Japanese aggression and political intrigues. Since the Japanese militarists are so adept in quoting history and twisting it to their own selfish purpose they might have shown how Japan's war on China in 1894-95 resulting in the seizure of the Liaotung Peninsula and Formosa, started the scramble for concessions on the part of the other Powers and this had the effect of precipitating the Boxer uprising fo 1900. Looking at the situation from this point of view there is a similarity of conditions and if the Chinese people, in their present predicament, should turn to Communism for relief, it will be due entirely to Japanese aggression.

Reverting to the present crisis in the National Government, it is not correct to say that T. V. Soong's resignation was caused by Japanese pressure entirely, but of the many disruptive influences at work, that of the Japanese was the most potent. While complications over the control of finances have existed between Gen. Chiang Kai-shek head of the army and T. V. Soong, Finance Minister for a considerable period, it has been the added influence of Japanese intrigue which caused the final break. Early in October the *Osaka Mainichi*, organ of Osaka in-

dustrialists, sent a special correspondent to Shanghai to investigate the Chinese banking situation, regarding which the Japanese had suddenly become intensely interested. Upon completion of his investigation the Japanese correspondent wrote as follows:

"If Japan wants to counteract the anti-Japanese pressure now prevailing in China, the defects in the Chinese financial organ (Chinese banking groups at Shanghai) provides a big opening of which Japan must take advantage. It is vital that Japan should take steps to bring about a favorable change in Sino-Japanese relations . . . . hence it is worthwhile for Japan to study the Chinese financial situation carefully."

On October 24, the Japanese *Rengo* correspondent at Peiping sent a dispatch to the newspapers in Japan which read as follows:

"T. V. Soong's position has been made extremely difficult by the fierce opposition of the 'Chekiang financial group' to the American cotton and wheat loan which Mr Soong contracted while on his foreign trip . . . . these Chekiang financiers have rejected any loans to the Government so long as T. V. Soong remains in office . . . . Consequently the Nanking Government has not been able to finance even the anti-communist expedition . . ."

These two dispatches from the Japanese newspapers present unmistakable evidence of Japanese intrigue in Chinese banking circles in Shanghai with the object of disrupting the financial organ of the National Government and that they have succeeded in this reflects no credit on the intelligence or patriotism of Chinese bankers whose livelihood depends upon the stability of political and financial conditions in China. In making this statement we are not attempting to excuse any mistakes which Mr. Soong may have made in connection with the negotiation of the American cotton and wheat loan. Mr. Soong's chief object on his American and European trip was to obtain financial assistance for the industrial and economic reconstruction of China. Owing to the economic depression he was unable to obtain direct financial assistance, but he was able to obtain credit in the United States for the purchase of two commodities, cotton and wheat, both of which are greatly needed in China. Mr. Soong was undoubtedly assured by Chinese cotton-mill owners and certain Chinese bankers at Shanghai that the deal could be financed and the cotton absorbed. Naturally it was expected that the deal would work out advantageously for Chinese cotton-mill interest which are harassed by competition with Japanese-owned mills in Shanghai and by cheap cotton cloth dumped on the Chinese market by Osaka mills. From the profits on the deal the Chinese Government expected to finance other needed basic industries, in which connection China applied to the League of Nations for technical assistance. Whether Mr. Soong contracted for too much cotton, as has been charged, is not known, but based on average figures of annual imports the deal was fundamentally sound. In fact it was the soundness of the idea and the threatened Chinese competition that caused the Japanese to begin plotting against both the cotton loan and the League's technical assistance. Emissaries were dispatched to China and plans were laid to undermine both the cotton and League deals through intrigue with certain discordant Chinese bankers in Shanghai and with the Chinese military authorities. That the Japanese have been successful in their initial moves was indicated in the news reports telling of T. V. Soong's resignation. Since Mr. Soong has been the outstanding advocate of a Chinese industrial development unfettered by Japanese domination, it is but natural that his resignation has been followed by reports that governmental policy may now tend toward subordination to Japan even to the extent of a lowering of customs barriers which would be disastrous to the new Chinese industries which have been established since China achieved tariff autonomy. Especially would it be disastrous to the Chinese cotton mills which in recent years have been able to hold their own in competition with the Japanese monopoly. Should the Chinese now be so so shortsighted as to make concessions to the Japanese on either the cotton loan or the tariff issue it would have a disastrous effect on Chinese industrial development and at the same time completely nullify one of the main achievements of the nationalist movement. Furthermore, and this is of vital importance, it would further strengthen the Communist movement by throwing thousands of laborers out of work in the industrial centers.

It is unnecessary to elaborate on the causes of the complications between Generalisimo Chiang Kai-shek and T. V. Soong, Finance Minister, over financial matters as they have been in existence for a long time. The man who holds the purse-strings in any government is not popular with those who spend the money. Particularly has this been true in China where military expenditures always have been out of proportion to other items in the budget. Obviously we make no claim to superior knowledge regarding methods for suppressing Communism, a problem which has taxed the best brains in all countries. But, as stated in the foregoing, China's efforts in this regard have been handicapped by Japanese military aggression and intrigue, but superficially it would seem that more than military methods are required. Since the Communist situation is now a Chinese military-directed movement, the menace must be met by political and economic methods in addition to armed resistance. Obviously the best offset to communism is efficient and honest government and if the present Nationalist Kuomintang authorities are not able to provide honest and efficient government, independent of outside (Japanese) interference, the final result will be a Communist administration. For as stated in the initial paragraph of this discussion, if the Chinese people are compelled to decide between Japanese military-political domination and Chinese Communist control, there can be no question as to which way the decision will go. Chinese bankers, businessmen and politicians who lend themselves to Japanese intrigue are obviously working against their own best interests for they are hastening the day when the Chinese people will be called upon to make a decision between Japanese rule or Communism. And regardless of which way the decision goes the bankers, businessmen and politicians will lose out!

Japanese to Bury Soviet Revelations in Oblivion?

The sentiment of the Japanese Foreign Office towards Soviet Russia, which was somewhat ruffled by the publication by the Moscow Government of the forged diplomatic documents, was further exacerbated by the report that the Soviet authorities are forcing a rouble-yen exchange rate of Yen 2.75 per rouble on the Japanese ships visiting Russian ports in Kamchatka, the Maritime Provinces, etc. in collecting from them the tonnage dues, pilotage, various public imposts and loading and unloading charges.

The newspaper *Miyako* published a report Oct. 26 that the Ministry of Foreign Affairs had decided to change its attitude toward the fact of publication by *Tass* of the documents connected with the activities of the Japanese Ambassador to Manchukuo, and decided to "bury it in oblivion." Questioned by foreign correspondents with regard to the *Miyako* article, the spokesman of the Ministry of Foreign Affairs evaded a reply.

Commenting on the conflict of interest between Japan and Soviet Russia in the Far East, the *Sin Wen Pao* takes the view that while hostilities may not break out between the two countries at the present juncture, they may become inevitable sooner or later. Therefore the Chinese must prepare for eventualities immediately. In any future Russo-Japanese war, the journal remarks, Japan will hardly be able to secure a single ally from the world Powers. She will therefore turn to China and force upon the latter a military offensive and defensive alliance, so that she might secure the man-power and raw materials of China. That is why Japan has repeatedly declared to the world that as soon as her relations with Soviet Russia and the United States are settled, the Sino-Japanese issues will automatically be solved.

U. S. Recognition of Soviets Will Not Help China

Commenting further on the movement for the restoration of normal relations between the Soviet Union and the United States, the *China Times* strongly condemns the view held in certain quarters that the Soviet-American rapprochement is likely to aid China in her resistance against Japanese aggressions. Japan's ambitions in Asia, the journal observes, will not be dissipated by the reconciliation between Soviet Russia and the United States. While such reconciliation may be intended as a means of consolidating Soviet and American influence in the Far East, the chief motive for the rapprochement however lies elsewhere.

According to information from diplomatic sources an understanding has been reached between the Chinese and Soviet Governments whereby all existing treaties between Sinkiang and Soviet Russia shall be cancelled and a new treaty substituted. It is said that negotiations towards that end have already started in Moscow between Dr. W. W. Yen and the Soviet Foreign Office.

Negotiations are still in progress between the Soviet Ambassador in China and the Chinese Government concerning the conclusion of a non-aggression pact and a commercial treaty between the two countries.

Dr. Lo Wen-kan met M. Karakhan, Vice-Commissar Foreign Affairs of the Soviet Government, on October 7 in Soviet territory.

Observers in close touch with the Russian situation have expressed amazement at the report from New York that half a billion dollars worth of credit is being sought on behalf of the Soviets, in connection with President Roosevelt's overtures looking towards possible recognition.

The new British Ambassador to Soviet Russia, Lord Chilston, arrived in Moscow Oct. 27.

M. Litvinoff, Soviet Commissar of Foreign Affairs, stated in Berlin Oct. 28 that the resumption of normal official relations between the United States and the U.S.S.R. will have no effect whatever on Moscow's policy toward Japan and the general situation in the Far East. He also said that it would have no especial repercussions on the world situation as a whole. The Soviet diplomat said that he hoped his visit to the White House would result in a definitive agreement between the United States and the Soviet Union. He said that all rumors concerning the probable choice of a Soviet Ambassador to Washington are premature.

Soviets and Germany Call Truce on Journalist Squabble

The conflict between the Soviets and Germany over the question of journalists, which has been lately the subject of diplomatic conversations between the two countries, is at an end. The Soviet journalists will resume their work in Germany, and the German journalists theirs in the U.S.S.R.

During the months of August and September, a total of 1,110 Russians, 710 White Russians and 400 Soviets, secured certificates to leave Harbin in order to travel abroad. The average exodus has been 40 persons daily. Most of the White Russians have left and are continuing to leave, apparently in fear of a possible outbreak of hostilities between Japan and Soviet Russia.

Manchukuo Still Further Tightens Grip on C.E.R.

Step by step the Manchukuo officials of the C.E.R. under the leadership of Chang Ming-che, the assistant manager, are pushing forward their plans to bring the railroad under equal management. With the removal of Mr. Yujin, the haulage departments of all the four sections of the Railway are now under the control of Manchukuo officials. On October 28 Manchukuo-appointed railway officials sent official instructions to Mr. Tsai, auditor of the Railway, ordering him to turn down all demands for the payment of salaries and wages that were signed by the Soviet Chief of the Personal Affairs Department of the Railway. They claim that the latter has been illegally appointed by the Soviet officials of the Railway.

Intimation that Manchukuo will financially ruin the Chinese Eastern Railway "if the Soviet continues to conduct Communist propaganda in Manchukuo" was given in a recent interview by the minister of communications, Ting Chien-hsiu. The minister characterized as "a trifling matter" the recent publication in Moscow of allegedly official Japanese documents disclosing purported Japanese plans to seize the C. E. R. by force, observing that the issue undoubtedly will be settled through friendly negotiations.

The Chinese Eastern Railway police Oct. 24 arrested five C.E.R employees who are alleged to be members of a Communist cell and to have been holding meetings with a view to a conspiracy.

Japanese Raid Home of Naturalized Korean at Weihaiwei

The *Review's* correspondent at Chefoo writes that the Japanese Vice-Consul in Chefoo recently proceeded to Weihaiwei and raided the home of An Ting-ken (a naturalized Chinese citizen of Korean birth) with four consular policemen and eight Chinese policemen and seized important documents. Hsu Chu-san, the Administration Commissioner, and Ho Ching-mo, the Chief of General Affairs Section, state that they had no knowledge of the Japanese action beforehand. Wang Mai-chi, the Chief of Public Safety Bureau, flatly denied responsibility in the matter.

The incident of the raid on An Ting-ken's home is widely known in Weihaiwei, but, being strictly banned by the Weihaiwei authorities, the news was not reported by any vernacular paper. The victim in this affair is a brother of the late An Chung-ken and lived in Weihaiwei over ten years. During the British rule, prior to the retrocession to China, the Japanese Consul in Chefoo demanded of Mr Johnston, the Minister-in charge, to hand over Mr. An to them, but the request was refused by Mr. Johnston on the ground that Mr. An was a political refugee.

Russian Author Has Trying Time at Hands of Japanese Police

Victor H. Yakhontoff, a former general in the Russian Army, is the author of a book "Russia and the Soviet Union in the Far East" published in the U. S. A., where he has been living for the past 15 years. Last July he visited Soviet Russia, entering from the European side. In a letter to the Shanghai daily newspapers recently Mr. Yakhontoff relates his trying experiences at the hands of the Manchukuo and Japanese police, who were on the point of confiscating his documents as "dangerous thoughts," but this procedure was abandoned as the result of a letter carried by the traveller from the Japanese Consul General in New York; and his papers were then allowed to go through in bond. The fact that this Russian was travelling on a German passport (quite legitimately) added to the suspicions with which the Japanese police regarded him, as it bore no visa. By mutual arrangement Japanese and Germans are not required to have visas.

Rebellious Mohammedan Leader in Sinkiang Offers to Surrender

Liquidation of the third "War" between Gen. Sheng Shih-tsai, Border Defense Commissioner of Sinkiang, and his ambitious Mohammedan rival, Gen. Ma Chung-ying, Commander of the 36th Division of Sinkiang, is drawing near, as Gen. Ma, heavily defeated by the Sinkiang Provincial Troops under Gen. Sheng, has offered to surrender according to reports received from Tihua on Oct. 24. Gen. Ma is said to have sent a representative to Tihua to see Gen. Sheng and to sue for peace. In reply, Gen. Sheng demanded that Gen. Ma's units must first retreat to Hami, eastern Sinkiang, promising in return to provide from the Provincial treasury for their maintenance. Should Gen. Ma fail to comply, Gen. Sheng threatened, the Provincial Troops would wipe out his force. To hasten the evacuation of the rebel force, the Provincial units advanced eastward on the 23rd. Gen. Sheng's position has been greatly strengthened by winning over a new ally, Gen. Ho-Chia-Ni-Ya-Tzu, whose Mohammedan troops are attacking Gen. Ma's insurgents and have recaptured Yenki. Gen. Sheng has appointed Gen. Ho-Chia-Ni-Ya-Tzu, Garrison Commander for Southern Sinkiang and has ordered him to attack Turfan. The native tribesmen in Southern Sinkiang have all risen against Gen. Ma and forced him to withdraw to Hami. Gen. Sheng at present has a force of 10,000 strong and a White Russian unit of 1,500 men. In addition to these, he has ten airplanes which have rendered great assistance in the suppression of Gen. Ma's revolt.

In an official communique to the Government on Oct. 26, Gen. Sheng reported that the Sinkiang trouble created by the rebellious activities of Gen. Ma Chung-ying has been liquidated and Turfan has been taken by the Provincial Troops. Gen. Ma is retreating with his troops to Hami, which has been designated as his garrison post. Gen. Sheng has urged the Government that $10,000,000 be set aside for rehabilitation of Sinkiang and, if that sum cannot be raised by the Government, the Sinkiang Provincial Authorities be authorized to issue a loan for that amount.

Dr. Lo Wen-kan, Minister of Justice and Government's High Commissioner to Sinkiang, is definitely on his way of return to Nanking. He passed through Chita on Oct. 24 and arrived at Vladivostok on the 28th. Leaving the latter port on Oct. 29 aboard the Norwegian steamer "Donau," Dr. Lo will arrive at Tangku (Tientsin) on Nov. 3 and expects to reach Nanking on Nov. 5. The report from Japanese sources that Dr. Lo had a secret meeting with M. Karakhan, Soviet's Assistant Commissar of Foreign Affairs on the Russian border has been officially denied in responsible circles in Nanking.

Gen. Chin Shu-jen, ousted Chairman of Sinkiang, who recently arrived at Nanking from a visit to Gen. Chiang Kai-shek in Kiangsi in connection with the Sinkiang situation, was ordered to be placed under arrest by an order of the Executive Yuan on Oct. 30. The charges preferred against him are maladministration of Sinkiang and conclusion of illegal treaties with Soviet Russia without authorization of the Central Government during his tenure of office. Gen. Chin has been handed over to the Nanking District Court for trial.

Six Mohammedan organizations in Shanghai issued a joint declaration on Oct. 29 in reference to the Sinkiang situation. In the statement, the Mohammedans hold Chang Feng-chiu, former representative of Gen. Chin Shu-jen at Nanking, responsible for the present disturbing situation in that province. They declare that the whole trouble arose from the illegal execution of a Mohammedan official by Gen. Chin, which caused the Mohammedans to rise in revolt against the Sinkiang Provincial Authorities. Instead of reporting this incident to the Government, Chang kept the matter secret and even issued a denial regarding the military movements in Sinkiang. As a result of Chang's action, the situation in Sinkiang became critical and wars ensued. The Mohammedans demand the punishment of Chang by the Government. Mr. Chang has left Nanking for Shanghai following the arrest of Gen. Chin Shu-jen.

Owing to the disturbed condition in Sinkiang, the Post Office at Shanghai announced on Oct. 25 that the ordinary postal service to that province will be suspended for a while pending further notice. Air mail matters, however, for Sinkiang will be accepted as usual, but they will be kept at Lanchow Post Office and will not be delivered until the situation has been settled.

The long-distance omnibus service between Kueihua and Tihua, respectively capital of Suiyuan and of Sinkiang, has been inaugurated. A test trip by a caravan of motor-cars between the two provincial capitals has recently been made and found satisfactory.

The Board of General Staff at Nanking is contemplating the creation of a new post in the North-west known as the Commissioner for North-western Frontier Defence. The headquarters of the Commissioner will be established at Suchow, on the Kansu-Sinkiang border. Gens. Chu Shao-liang and Ho Yao-chu, Chairman of Kansu and Deputy-Chief of the Board of General Staff respectively, have been mentioned as possible candidates for the new post.

Northwestern Authorities Persistent in Refusal to Admit Gen. Sun

Indicating their determined opposition to General Sun Tien-ying's entry into their provinces on way to Chinghai to assume his reclamation duties, Generals Chu Shao-ling, Ma Ling and Ma Hung-kuei, respectively Chairman of Kansu, Chinghai and Ninghsia, have jointly wired the Government of their resignations as a protest against General Sun's advance to Chinghai under Government's orders. In their message, they pointed to the sufferings of the people of the three Northwestern provinces and declared that considering their impoverished state, they could not afford to provide for the maintanence of additional troops. They requested that General Sun's troops be instructed to postpone their march into Chinghai or be transferred elsewhere. In reply to their joint telegram, the Executive Yuan at Nanking at a meeting on Oct. 24 decided to reject their resignations and urged them to remain in their posts.

Meanwhile, General Sun has been instructed by General Ho Ying-ching, Chairman of Peiping Military Affairs Commission, to suspend the march of his men into Ninghsia pending further arrangements. It is believed that General Sun's Army will spend the Winter at its present posts, Paotaochen, Wuyuan and Linho in Suiyuan and resume their advance to Chinghai, if satisfactory arrangements can be made in the meantime. Hu Chien-san, General Sun's resident representative at Peiping, left there for Paotowchen on Oct. 24 to report to his chief the results of his negotiations with General Ho Ying-ching. A later report from Peiping Oct. 29 stated Gen. Sun called a military conference of his subordinate commanders at Paotowchen, at which it was decided that his 41st Army should march into Chinghai at all costs. Gen. Sun has sent another representative to Gen. Ma Hung-kuei to negotiate for passage of his troops through Ninghsia province.

The Yellow River in Ninghsia recently overflowed its banks and innundated several districts. A million people are reported to have been affected by the flood. General Ma Hung-kwei is working out urgent measures for the relief of the flood refugees.

The *Shun Pao* Oct. 28 commented:—"Chinghai has been a place of peace and order for many years, but now, with the march westward of Gen. Sun Tien-ying, that province might soon become a land of disorder. Although Gen. Sun has halted his troops in Suiyuan for the Winter, it is doubtful whether an outbreak can be avoided next Spring if the Government cannot make suitable plans to transfer Gen. Sun's troops to some other place."

Sven Hedin's Expedition Meets With Accident in Suiyuan

An accident occurred to Dr. Sven Hedin's highway expedition in Chinese Turkestan at Kueihua, Capital of Suiyuan, on Oct. 24, when a freight train carrying three trucks and a Ford sedan car for use of his party collided with another train, resulting in the wrecking of the sedan and killing of a Mongolia driver, according to reports from both Chinese and foreign sources. Owing to the mishap, the trip of the survey party is being delayed. Dr. Hedin has wired the Ministry of Railways for a new car. Interviewed, the Swedish exploror said that his survey party would follow the course taken by the Nortwestern Scientific Expedition in 1927. They would first take the northern route from Suiyuan to Sinkiang and then take the southern route from Tihua (Provincial Capital of Sinkiang) to Sian (Capital of Shensi). The survey would require a period of eight months. The Ministry of Railways has remitted to Dr. Hedin's party a sum of $50,000, but Dr. Hedin said the amount might not be sufficient to carry the survey through. Dr. Hedin and his party were entertained by Gen. Fu Tso-yi, Chairman of Suiyuan on Oct. 24. Prior to his departure for the trip, Dr. Hedin received a cordial message of good wishes from President Franklin D. Roosevelt.

Kwantung Army to Control South Manchuria Railway ---Employees Oppose Proposed Plan

A LARGE-SCALE reorganization of the South Manchuria Railway Company is projected. Lieutenant-Colonel Numada, of the Special Service Organ of the Kwantung Garrison, Mr. Yamazaki, director of the S.M.R Company, and Messrs. Okada and Miyazaki, of the S. M. R. Economic Commission, are now in Tokyo in connection with the project. The main feature of the present scheme is the separation of various enterprises at present undertaken by the S. M. R. Company. A holding company is to be established in order to own the shares of the companies newly established as the result of the separation. The Special Service Organ of the Kwantung Garrison and the S.M.R. Economic Organ are to amalgamate and then act as an Economic General Staff Office of the Holding Company.

The contemplated reorganization will result in the expansion and strengthening of powers of the Commander-in-chief of the Kwantung Army. establishment of an economic staff office in the Kwantung Army headquarters and sweeping changes in the organization of the South Manchuria Railway Company. The proposal by the Kwantung Army that the power of supervision over its commander-in-chief should be vested solely in the Premier so that the Kwantung Army head may be strengthened. has been approved in principle by the Japanese Government.

Lieut.-Col. Numada states that he has obtained the Government's understanding to the Kwantung Army's suggestion that the Kwantung Army should control the South Manchuria Railway.

S.M.R. Employees Oppose Reorganization

The employees of the South Manchuria Railway Co. are showing opposition to the proposed reorganization of the Company. They are strongly of the opinion that such fundamental reorganization as contemplated by the Kwantung Army and the Japanese Government would bring about serious consequences.

Vigorous protests against the proposed reorganization of the South Manchuria Railway were voiced at a meeting in Dairen, Oct. 28 of delegates representing the 30,000 employees of the concern.

Regarding the reported proposal of the Japanese Kwantung Army authorities to reorganise the South Manchuria Railway, President Count Hayashi Oct. 1 denied that the company had given approval in principle to the reorganization proposal as rumored in certain quarters.

The Department of Overseas Affairs is stated to be greatly opposed to the reported reorganization of the S.M. R. because of the grave effect that would be caused to Japan's financial as well as general social problems.

Osaka Paper Urges Military to Disclose National Policy

The *Osaka Asahi* urges the military authorities to disclose to the nation the national policy on the execution of which their minds are avowedly set. The military authorities recently issued a statement affirming the support by the whole army of the national policy which General Araki, Minister for War, is propounding at the conference of the five Ministers, and declaring the army's firm determination to see it adopted. As to what General Araki's national policy, over which the military authorities are so enthusiastic, is like, however, the statement makes no reference whatever. It is quite obvious—and it does not need the War Minister to explain it—that issues of vital importance to the State deserve more urgent attention than the question of compiling the new Budget, the Osaka journal argues.

The leaders of the two chief political parties in Japan, the Seiyukai and the Minseito, have been holding secret meetings recently with a view to forming a working alliance. If they are successful, the political party system in Japan will be revolutionised. Japan would then have a big, single political party into which all the smaller parties would be merged.

Mr. Takahashi, Minister of Finance, is quoted as saying that Japan is now steadily on the path to financial rehabilitation. Mr. Takahashi sees a ray of hope for a real financial rehabilition through the control of currency by the Bank of Japan and the gradual effect of the inflation boom. He is convinced of the need of carefully guiding financial circles at this juncture, as otherwise the recovery will be nipped in the bud. He is resolved to solve all political problems that are liable to prevent an early return of prosperity.

Conference on Domestic Administration to Be Held

By order of Premier Saito, Mr. Horikiri, Chief Secretary of the Cabinet, is earnestly studying concrete measures in regard to the proposal brought forward by General Araki, Minister for War, that following the conference of the five Ministers, concerned with the formulation of foreign and national defence policies, another conference of the Ministers should be initiated to discuss policies on domestic administration.

War Minister Araki and Generals Minami, Watanabe, Hayashi and Mazaki Oct. 18 attended the session of the Supreme Military Council which preceded the issuance from the War Office of the statement of Army support, considered tantamount to a challenge to Premier Saito, Foreign Minister Hirota and Finance Minister Takahashi.

According to the *Nichi Nichi*, the question of whether the War Minister will attain his ambitions has become a subject of absorbing interest in all concerned circles. The Government, it was stated, is perturbed by the fact that General Araki has not abandoned his original views and probably will make a decided stand at later sessions of the Five Ministers. Holding armed conflict to be inevitable, the newspaper said he has been insisting that the people should be educated to the resolve that war cannot be avoided and that the Government should first solve the problem of national defense and then attack the questions of diplomacy, thought, education and industry.

Dr. S. Washio commented in the *Japan Advertiser* Oct. 20:—"It is evident that the army and particularly the War Minister is no longer concerned with the technical problem of national defense only but also with the problem of finance, industry, agriculture, education, thought control and everything that falls within national policy and to which national defense in a large scale is inevitably linked. It is evident that whatever Mr. Takahashi may say or do to tide over the pressing needs of next year's budget, army men are developing their own financial and economic ideas. Recently when the proposal of the Minister of Agriculture and Forestry to reduce the acreage of rice cultivation to control the price of rice was being considered by all related authorities and experts as an urgent vital domestic problem, the army appeared in definite opposition on the ground that the proposal was spiritually demoralizing—an obvious argument, but which the experts had never thought of advancing, and this opposition of the army definitely ended the proposal. This is an illustration of the economic ideas that the army is developing and will put into effect as opportunities arise. In educational and thought control problems the army influence had long been felt even before the Manchurian incident and since then it has been practically paramount, especially outside the large cities. With the idea of the crisis of 1935-6 disseminated nationwide it will be easy for the military to continue their leadership in these fields."

Monetary Difficulties Loom at End of Year

While the next fiscal year's budget of the Japanese Government will be influenced by the decision recently reached in the five Ministers' Conference to establish a unifed national policy for national defense and Japan's diplomacy with other foreign nations, the Finance Ministry expects that a sum of about Yen 2,100,000,000 yen will be demanded by the various ministries concerned, including the War and Navy Offices which are expected to demand large sums for the replenishment of their military equipments.

In view of the anticipated monetary difficulty at the end of this year, certain quarters desire the Bank of Japan to intervene so as to settle the trouble. A certain securities company, which has desperately disposed of its holdings at unreasonably low quotations in order to get rid of the monetary burden, is reported to have been obliged to withdraw from the Rokusan-kai, an association formed by leading securities companies, with a view to effecting cooperation regarding the taking-over of issues and their

offering. The tightness of the money market is partly attributed to the recklessness of these securities companies in taking-over new bond and debenture issues. although the Bank of Japan's market operations are held primarily responsible for the unusual advance of the money rate. Governor Hijikata, however, denied the alleged responsibility at a recent meeting of the Bank advisers on the ground that the Bank's net absorption of funds from the money market was only Yen 78,000,000 as the Bank had redeemed a considerable amount of treasury bills and rice purchase notes.

The *Osaka Mainichi* Oct. 21 commented:—"The increased flotation of bonds by the Government, which has caused an abrupt and unnatural inflation of currency, must be stopped by all means since it will promote speculation and seriously affect financial circles. Consequently, it is necessary for the Bank of Japan to bring its function into full play and to absorb surplus funds on the market by open market operations, and so adjust finance. But, when the Government is engaged in realizing a low interest policy to relieve the financial market, it is questionable whether the Bank should remain indifferent for a considerable tength of time, leaving the money market tight. For the lake of recovering industries, it is never a good sign for she money market to be disturbed. the interest tendency reversed, or the bond market restless because of having gone too far in market operations."

No Results of Army Maneuvers Made Public

General Sadao Araki, War Minister, while in Fukui, to attend the annual maneuvers of the Japanese Army during last week conferred with General Jinzaburo Mazaki, member of the Supreme Military Council, General Iwane Matsui, commander-in-chief of the Formosan Army, and Admiral Kanji Kato, member of the Naval Supreme Council on the national defense plan. The maneuvers came to an end Oct. 26 after a three-day combat between the "North" and "South" armies under the supervision of the generalissimo, Emperor Hirohito, assisted by his grand-uncle Field Marshal Prince Kanin, chief of army general staff, and Lieutenant-General Araki, War Minister. The general staff headquarters are maintaining close secrecy as to the result of the battle on the Hokurikuto plain, but (as a *United Press* points out) it it may be safely assumed that the "enemy" has been properly vanquished. Also there has been no official disclosure as to the identity of the potential "enemy," but it likewise may be taken for granted that the Soviet military attache among the foreign officers who have been the guests of the chief of staff, is particularly interested in this point.

Japanese Trade Invades Abyssinia and Austria

Japanese economic and trade expansion in Abyssinia is causing great concern in Italy. Austrian newspapers emphasize the menace of Japanese dumping to Austrian and Hungarian industries, and demand energetic steps by both Governments concerned against such competition.

Prince Tokugawa Entertained by German-Japanese Society

Prince Tokugawa, who on his tour through Germany, was guest of honor in Berlin Oct. 27 at a reception held by the German-Japanese Society which was attended by upwards from 300 people. The Chairman of the Society, Admiral Behnke, cordially welcomed the Prince. The Prince replied with a speech, in the course of which he emphasized that the Japanese people are following the German national movement with sympathy and complete understanding.

Launching of Japanese Destroyer Proves a Failure

The proposed launching Nov. 1 of the newly-built first-class destroyer of the Japanese Navy *Hatsushimo* (1.450 tons) was a failure, as the ship refused to move when Mr. Imaoka, President of the Uraga Dockyard Company cut the rope. The incident is believed to be due to some defect in the runway.

Naval Men Involved in May 15 Incident to Be Sentenced November 9

The Japanese Navy Office announces that sentences will be imposed Nov. 9, on each of the Navy members of the party involved in the so-called May 15 incident in Tokyo last year, in which Premier Inukai was assassinated.

Judges and procurators, who are chiefly concerned with "thought" cases, were called together in Tokyo from all parts of the country recently to receive instruction from the high judicial authorities and to confer on matters relative to their chief duties. At the initial meeting, which was held at the Department of Justice Oct. 19, Dr. Koyama, Minister of Justice, said, in effect, that judgment embodies the solemn will of the State; it by no means represents the theory or assertion of individual judges. In the exercise of judicial power, therefore, judges must have a correct understanding of the true meaning of the independence of jurisdiction and must never allow themselves to be swayed by biased or uninformed views that may be finding expression in some quarters, or by their personal sentiment, into decisions which are not strictly fair and just.

Noboru Ozaki, former Judge of the Tokyo District Court who is involved in a Communist movement, is stated to have became a Marxist while a student of the Waseda University. After graduating from the university, he served in the judicial institution, later being promoted judge. While serving as a judge of the Tokyo District Court, he became a member of the Japan Commnuist Party.

Japanese Women as "Red" Propagandists

Sumiko Omori (24), a lady-teacher of the Shimura First Primary School of Itabashi, Tokyo, has been detained by the Tokyo police on account of her connection with communistic activites. At the same time, three teachers of other schools have also been submitted to police examination on similar suspicions. Sumiko is alleged to have been released from detention on a similar charge sometime ago on her pledge of conversion from red ideas.

Including Kiku Kawaguchi, aged twenty, three young governesses of the Tokyo municipal crèche, of Kameido, have been arrested by the police. Because they called meetings of poor women in the neighborhood, the governesses are alleged to have been engaged in diffusion of "red" ideas among them.

Japanese Minister's Residence Stoned in Mexico

A mob of 200 alleged Communists Oct. 20 stoned the residence of the Japanese Minister, Yoshikata Hori in Mexico City, breaking some of the windows. The mob shouted "Down with war!" They were dispersed by police.

Labor Troubles Affect Many Indutriess

During the recent months, Shanghai has witnessed a revival of labor troubles, affecting many industries, the principal ones of which are the Shanghai Power Company, the B.A.T. No. 3 factory and Indo-China S. N. Company. Despite the efforts at mediation on the part of the local official and party organizations and merchant groups, the situation has not been much improved, but on the other hand, is tending to spread into other industries. More than a month has passed since the trouble developed in the Power Company plant and as yet there is no satisfactory settlement, although it is reported a number of the strikers have returned to their work. The strike in the B. A. T. No. 3 factory in Thorburn Road is also several weeks old and no rapprochement between the strikers and the management has been reached. The Indo-China Navigation Company is the latest one to be affected by the spreading tide of the labor difficulties. According to reports in Chinese papers, the talleymen on vessels of the Company, after submitting three demands, declared a "go-slow" strike on Oct. 21. The demands were accepted by the management of the Company and the talleymen resumed work, but the compradores by whom they were engaged have refused to sign the agreement on the ground that their pay is too small and can not cover their expenses. Upon learning of the Compradores' refusal to sign the agreement, they declared another "go-slow" strike. The Shanghai Chinese Seamen's Union is mediating in the matter and is bringing pressure to bear on the compradores to agree to the terms in the new agreement. The trouble is pending settlement. Workers in the local silk dyeing trade, numbering about 1,000, continued to refuse to carry out orders from the hongs to dye large pieces of silk, owing to the reduction of the amount of their "cumshaws" or gratuities A deputation of the dyers visited the Shanghai Dying Trade Union and the Party and official organs for help and the matter is under consideration. The dispute between local silk filatures and their workers, caused by a reduction of wages, continues, the efforts of the Social Affairs Bureau to end it by some compromising arrangements thus far having not been fruitful.

China's Air Force Expansion Sows Seeds of Uneasiness in Minds of the Japanese

(By the Review's Tokyo Correspondent)

(Translations from various Japanese publications)

OF late years, especially since about the time of the outbreak of the Manchurian incident, much concern about air-raids has been expressed by both the Japanese Government and people through various publications. The question, being generally devoid of the nature of being treated as a current topic, seldom has been discussed or reported in the newspapers.

It is not too much to say that everytime the question of the national air defense was discussed an imaginary attack from across the Pacific Ocean was taken up. And as to China's air expansion movement, it has never been treated independently, but along with the activities in China of the United States, which tendency is growing especially pronounced as the cries warning the crisis in 1936 becomes louder. Occasional descriptions pertaining to the question appearing in the newspapers are almost always alike. By way of showing an example of those newspaper articles we may cite passages from the September 8 issue of the *Tokyo Asahi*, which run, ". . . . . At the Military Councillors' meeting held at the War Office on the 6th, an officer concerned explained the situation in China, especially the invasion of the American influence into southern China. According to his remarks, in central and southern China the United States has built up a strong foothold in aviation and communications and through this established influence the United States has implanted her political and economic predominance all along the coast of the Yangtsze River and the sea-coast of Chekiang, Fukien, Canton and other southern Provinces."

The attention value of China's air construction is expected to rise higher and higher as the so-called crisis of 1936 draws nearer. By the way it is to be noted that Captain Sekine of the Japanese Navy elucidates practically the same ideas in the *Tokyo Nichi Nichi* and two leading magazines—*Kaizo* and *Keizai Orai*.

Air-Raid from Philippines and China

(Major General Yahei Ohba—October Number of the Keizai Orai)

The Island of Guam lying 1,500 miles south of the Bonin Islands is no doubt a cause of our uneasiness. This speck on the vast expanse of water is nothing when compared with the menace of the well-defended Philippines. Though situated far from its main-land and therefore helplessly isolated, the strategic value of the Philippines is great. In view of the gravity of the situation Admiral Moffett made public in the middle of August the three-year plan of air construction. Before 1935-36 the air force of the islands will be augmented. It is not difficult for a superior aircraft to cover a thousand miles and attack Kyushu Island. In the event of the Pacific Ocean being disturbed the air engagement will be started in this direction. What we are concerned, therefore, is the expansion of the air forces of China.

If it does not make further progress and enlargement, we need not give any serious attention to it. But, if the reported U.S.-Chinese secret agreement should turn out to be a reality, with Japan as her imaginary enemy China's air expansion plan will construct by 1936, 420 scouting planes, 260 fighting planes, 155 light bombing machines and 90 heavybombers—totalling 853.

The reported conclusion of a secret treaty between China and the Uuited States and China's recent activities in increasing her air force can never be made light of in view of her having thoroughly realized the need for stronger air force since the Manchurian incident. This is why we should regard the expansion plan as having the possibility of realization.

If the above-mentioned air force expansion plan of China has been-completly backed by the United States, it will prove a great menace to Japan, for the distance between Shanghai and Kyushu and Chosen is no more than a thousand miles. The menace Japan feels in this case will be far greater than in the case of an attack from Manila. In the event of our having to struggle for the mastery of the Pacific Ocean, the existence of such a menace is more than we can bear. To destroy the root of the evil is a burning question.

China's Air Force Expansion Attracts Japan's Keen Attention

(By Captain Gumpei Sekine of the Japanese Navy—Tokyo Nichi Nichi, Oct. 6-7; October Numbers of Kaizo and Keizai Orai)

Professor Benjamin H. Williams of the United States says in the "United States and Warships" that in consequence of the development of aviation since the World War Britain began to feel a menace from the European Continent." A will similar menace event Japan have to suffer in the an air force is fully developed on the Asiatic Continent. The worst menace may have been prevented through the independence of Manchukuo, but still there are China and Soviet Russia close to Formosa and Saghalien.

Since civilian aviation constitutes the rearguard of military aviation, its development on the Asiatic Continent is worthy of our serious attention. Japan as a nation must encourage civilian aviation in order not to lose international balance. When Japan lies along the world public route of aviation we see not a single air route of the world crosses the territory. How can the rising nation make light of this fact!

Inasmuch as it is not too much to say that all movements in China are placed under the control of the military clique, there can be no clear-cut demarcation between military and civilian aviations. They are only nominally classified. There are in China several air forces, including the one belonging to the Fukien navy, possessing some five to six hundred machines, which in two years are expected to be incressed to two or three thousand. Though it may be a mere rumor created by the Chinese, yet to think that there are certain Powers at the back of the movement cannot but alarmus. The rumor that a secret military agreement has been concluded between China and certain Powers has taken air been spread of late and even if it be a groundless demonstration on the part of China, commercial transactions in connection with the affair are actually conducted. In our view the advantage due to the Powers will be:

a. They are able to maintain their airplane production efficiency.

b. They are able to implant in China the influence of their own countries, and it may be that in case of emergency they till use the air force in China to their own advantage.

A rumor says between the 19th Route Army stationed in Fukien Province and a certain Power concluded various secret agreements, have been concluded, but since there is a special understanding between China and Japan as to the construction in Fukien of military facilities with foreign capital, no Power could have dareds do such a thing.

Through the Soviet-Chinese incident a few years ago the Chinese people were enlightened, though vaguely, on the value of aviation. Later, the bitter experiences they tasted at the time of the Manchurian and Shanghai troubles has made them realize the urgent need for a strong air force, so that the cries for national salvation by air-preparedness are echoed throughout the country. Both Government and people are bent on the completion of air defense works. How can we remain insensitive to such a phenomenon in our neighbor!

U.S.-Chinese Menace From the Air

(By Shinsaku Hirata, October number of Hinode)

"If China contemplates fighting with Japan, to strengthen her air force is absolutely indispensable." This was stated by Colonel John Juet, an American adviser of Chinese air forces. From this standpoint he is training young Chinese pilots in Hangchow and Honan. At the Shanghai engagement and Jehol and Great Wall battleline the Chinese war leaders acutely felt the value of air forces.

Gen. Wen Chao-yuan, to whom I do not grudge paying some respect, discloses in his book entitled "Reminiscences of the Bloody Battle of Shanghai" his having labored under great difficulty. He says, "What struck me most during the recent engagement is the powerlessness of the Chinese air forces. In the face of the unrestrained display of menace from the air we could not but impotently watch the stunts above. We had seven anti-aircraft guns but they were of no use, two of them being destroyed by the enemy's attack. If only we could have possessed the same number of machines as the enemy, we might have prevented it from behaving so audaciously." Continuing he describes, "The air-raiders (Japanese) must be unaware of how tragic and pitiable is the state of the attacked. The menace of aircraft is immeasurably great. Already we have received so enormous a loss at the Shanghai engagement; what will be the loss that may follow?" With these bloody words he warned the Government and people. Then he concluded, declaring, "What is the use of 'national salvation by air preparedness,' if it is a series of vacant cries? If you really take to heart the country's air defense, try to ensure the great expansion of air force before everything else." At the Lushan Conference Gen. Chiang Kai-shek gave a significant suggestion as to the air-defense first principle.

With the existing strength of her air forces China is no more of a menace to us than a flight of crows. Machines now possessed by China are roughly put at two hundred, which in number corresponds to 20 to 30 per cent. of our army aviation corps. Besides, being untrained they do not even come up to 10 percent of ours in actual strength. Their helplessness is sufficiently endorsed by the Shanghai trouble, whatever might have been the descriptions in the "Aviation of the Chinese Republic" (中華民國航空雜誌). It is an undeniable fact that at the air engagement at Hangchow not a singly Chinese pilot attempted a counter-raid, while many fell and died in an attempt to make a hasty retreat. However, the tide has made such a radical change that the movement of China's air force expansion has become so audacious of late that it aims at making an air assault against us supported by foreign assistance.

Before studying the movement of the Chinese air force, look at the map of China. All the strategic points, namely, Peiping, Tientsin, Shanghai, Nanking, Hankow and Canton, are either along the sea coast or the basin of the Yangtsze River. All of them would in no time be crumbled to ashes in case of war. This is one reason why China cannot declare war upon Japan. It is quite evident that in the event of these strategic points being occupied by the enemy, the source of supply of war necessities would be undermined and with this the day will be decided. The Chinese troops which have quit the towns would have to retreat to the interior part of the country, where, due to lack of munitions, they would convert themselves into brigands. Gen. Chiang Kai-shek is wise enough to see this fact, for it appears that he plans to collect the main force of the Kuomin army at Nanchang, Hsuchow, Kaifeng and Honan, in accordance with the strategy of a German General. That he decided on constructing strategic bases in remote places indicates his firm decision of permanent resistance to Japan. Furthermore the General is planning to attack Japan from the air by acquiring the command of the air of the Yellow Sea and South China Sea. It is for this purpose that air bases are scheduled to be laed out at Haichow, Chenhai, Chuanchow and Swatow. From Haichow to our North Kyushu it is only 900 kilometres and heavy bombers can be effectively active; Chenhai and Hangchow will menace South Kyushu and Liuchiu Islands; while Chuanchow and Swatow will strangle Formosa and undermine our stragegic base in the south.

The Lushan Conference decided on wholesale expansion of the air force and during the period of three years required for the consummation, the anti-Japanese movement is to be abated in order to evade at headlong collision with Japan. To us Japanese the decision is an alarm of approaching danger of war. In three years the United States will have completed the construction of 16 cruisers and six of the world's largest aircaft carriers. The U. S.-Chinese approach in the military and economic fields makes me picture in mind the advent of a giant-scale crisis in three or four years.

It was this spring that I boarded an airplane of the National Aviation Company (中國航空公司) which flew over the south of the Yangtsze; The machine was of American make and the pilot was also an American. I was mournfully surprised to see before my eyes the American control of Chinese aviation: the American machines, monopolizing the Chinese airlines, fly all over the Yangtsze Valley and along the coast of eastern China like conquerors.

The program of the American air-raid upon our Island Empire has been completed: the entire American air forces bear down upon us with aircraft-carriers from the East and with a swarm of planes from the Philippines and Guam bases and from all the Chinese coastal strategic bases. See the recent activities of America in an obvious effort to monopolize the South Pacific Ocean airline. Just imagine a thousand Chinese planes composed and trained in American style make a determined raid upon the Island Empire. What will be the fate of Kyushu, Chosen, Taiwan and the air defense of Manchukuo?

So long as China continues cooperating with the United States in her air preparations, a drastic revision in our Pacific strategy is indispensable; and at the same time we must invent counter-measures to provide against the co-operative strategy of the two countries. I even contemplated the formation of a Sino-Japanese military alliance, but the whole situation has advanced too far to avert the arrival in the Far East of an untold crisis.

China's Air Force Expansion Aims at 1936

(By Major-Gen. Yahe Ohba—November Number of Gendai)

If, as is rumored, our neighboring country China is really planning to aggrandize her air force in close co-operation with the United States with the crisis of 1936 in view, this is, along with the Soviet air forces now being shifted toward the Far East, an enormous menace to Japan.

At the time of the outbreak of the Sino-Japanese incident the Kuomin Government boasted of its modernized war equipment but even its brave resistance at the Shanghai engagement could not withstand the power of the Japanese air-raid. Thus it was China and its people rather than the Japanese army and navy that were deeply impressed with the value of the air force. Naturally, the Government and people have combined their efforts in building up a large air force in order to save the country.

The financially straitened Kuomin Government, however, found no means to execute the gigantic enterprise. At this juncture it was the United States that climbed up the stage and, driving away the deep-rooted British influence from all over the Yangtsze Valley and kicking out the service of Germany and Italy, took possession of the main artery of China's airlines.

The work is done under the name of China's National Aviation Company, but in reality the concern is a branch office of the Pan-American Aviation Company and on the strength of the agreement concluded this April between the company and the Chinese Government the actual power has been transferred to the American company's hand. Its main line in China covers all important points threatening to make a great stride in future.

The United States is striving to spread her influence, especially that of aviation in southern China, taking advantage of the Manchurian incident, on which all China's attention was focused. Soon afterwards, it so happened at the Shanghai engagement that a part of the Canton army received a sever attack from the Japanese bombing machines, which further stimulated the aviation fever in southern China. Under such favorable situations the United States could easily lay down strong foundation for her aviation enterprise.

In November last year the Canton Army Headquarters mapped out a plan for an air force expansion with the obvious view of providing for the crisis resulting from the treaty revision in 1935. According to said plan the Canton army will possess 220 machines within a short period, but this decisive expansion could never be undertaken by so financially embarrassed Canton army if it were not for substantial assistance from the United States. The expansion program of the Canton army appears to include the construction of large-scale aviation fields at Shaochow, 50 li north of Canton and at Chaochiang, 20 li west of Canton and in time of war the latter airdrome will serve as the air base for an advance and prevent air-raids from the planes of the enemy's navy.

The existence of so strong an air force in southern China close to Formase means a great menace to Japan. This is especially so if it shakes hands with the American planes in the Philippines. It is clear as day, from the past movement of the United States, that in time the American influence thus implanted will strike root deep in the soil of the Canton district.

Side by side with the phenomenal spread all over China of the American aviation net, the Kuomin Government's air expansion schedule is being carried on supported by the United States. Forgetting the spirit of the League of Nations, which she so enthusiastically supported and giving no heed to the advice of Great Britain, the United States plunged into the gigantic enterprise of naval expansion aiming at the year 1936. From this naked fact we feel tempted to conclude that the much-fussed-about advent of a crisis may turn out to be a reality. In such an

eventuality the existence of the Chinese air force built up under the secret contract, will display its value in full.

Speaking of a secret treaty, we still remember the bitter experience we had in connection with the Russo-Japanese secret treaty concluded by Li Hung-chang immediately after the Sino-Japanese War, and feel it proper for us to make due preparation to successfully meet the situation.

Though it is difficult to get at the truth of the secret agreement, what I have been able to gather is something as follows: The agreement consists of 3 chapters made up of 17 articles, effective for 5 years (signed provisionally in the middle of March this year an Washington). Airplane manufacturing and repairing plants, four in number, are to be constructed in China. All the material for the air force construction is to be purchased from the United States. The position of the factory manager and other important offices will be filled by the Americans. Within the present year a aviation fields are to be laid out, one at Swatow, Chuanchow, Chenhai and Haichow. Of all the expense needed for the enterprise 80 per cent. will be borne by the United States. The air force construction schedule is sectioned into three periods In the first period (1933-34) 155 machines, the second period (1934-35) 260 machines, the third period (1935-36) 420 machines will be constructed, totalling 835.

It was this spring that the Japanese popular feeling was stirred up by the report that, taking into consideration of the American strategy against Japan, China had conducted a working survey at Haichow as a prospective site of an air base, but Japan, having got wind of the secret, the plan was finally abandoned. China is free to construct any airdrome at any place and her laying it out is but a question of time.

After 1936 the total number of planes owned by China is roughly estimated at 1,300. These combined with the support of the United States would prove a great menace to our national defense.

Canada's Trade with China Shows Increase

Trade between Canada and China has recently been showing a strong upward trend. Canadian government figures recently published for the 12 months ending July 31, 1933 give the total value of China trade as U.S.$9,698,-026, an increase of about six million Chinese dollars over the corresponding period in the previous year. Taking into account the drastic decline in commodity prices, these figures of values represent a much larger increase in the volume of the trade between the two countries. Principal commodities exported from China to Canada were nuts, silk and peanut oil. In the imports from Canada wheat held the first place, followed in order by silver, pulp and paper, lumber, wheat flour and fish.

Sino-Spanish Treaty of Commerce and Friendship Being Prepared

The Ministry for Foreign Affairs is making preparations for the conclusion of a Sino-Spanish Treaty of Friendship and Commerce. A draft treaty is under preparation by the Treaty Commission of the Foreign Ministry and will soon be sent to Madrid for negotiation between the Chinese Minister in Spain and the Spanish Government.

Three Brothers Swim Yangtsze at Nanking

Shih Hsin-lung, Shih Ho-cheh and Shih Hsin-lu (three brothers) swam across the Yangtsze from Pukow to Nanking Oct. 25, covering the three-mile stretch in less than an hour. Their 12-year-old sister, Miss Shih Jui-shen, abandoned the attempt after repeated entreaties on the part of her eldest brother. Hundreds of interested spectators lined both sides of the river. This was the first time that anyone has ever swam across the Yangtsze at Nanking, where the current is very swift.

Great Increase in Nickel Exports from Canada

Much comment had been aroused recently by the revelation of a remarkable increase in exports of nickel from Canada—which is an important element in the manufacture of munitions. Altogether 513,000 cwt. were exported in the first six months of the current year as compared with 128,000 cwt. for the same period in 1932, while the exports to Germany, consisting of 2552 cwt. in the first half year of 1932, have been doubled in the corresponding period this year.

Texas Oil Co. in the Throes of an Internal Squabble

The Texas (Oil) Company which was founded in 1902 by John W. ("Be You a Million") Gates is in the throes of an internal executive dispute. The two principal protagonists are Jack Lapham, son of one of the founders of the company, and Ralph C. Holmes, who is the grandson of a New York state oil man. Holmes was president and acting chairman of the board of directors until last spring, at which time he resigned under pressure. In the meantime he has lobbied for the election of 12 additional directors. The magazine *Time* devoted several columns of its issue of October 2 to the subject.

Holmes protests that Texaco has too long been dominated by the Lapham family. Under the new regime, Jack Lapham has become chairman of the executive committee. A recent statement by the Texas Company alleged that Holmes' forced resignation was not due to differences of opinions in respect to policies, but to his intolerant attitude and arrogant methods.

It may be noted in this connection that the Texas Company, being the weakest of the three oil companies in the China field, is now being severely affected by Soviet oil competition. The Soviets are allegedly selling about 30 percent of the oil used in China.

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During the first nine months of this year (i. e., June-Sept. 1933) the imports of kerosene from all countries into China increased as compared with the corresponding nine months of 1932. In number of gallons the Soviet increase was not as great as in the case of imports from the United States or from the Netherlands Indies, although the Soviet percentage of increase was greatest. The figures are as follows:

IMPORTS OF KEROSENE AND GASOLINE IN GALLONS DURING JAN.-SEPT. FOR THE YEARS 1932 AND 1933

	Jan.-Sept. 1932 Gallons	Jan.-Sept. 1933 Gallons
KEROSENE		
Neth. Ind.	30,532,688	46,297,904
U.S.A.	57,849,256	70,748,296
U.S.S.R.	12,661,894	21,758,559
GASOLINE		
Neth Ind.	5,234,831	10,170,324
U.S.A.	8,769,410	11,196,957
U.S.S.R.	896,515	1,498,625

Soviet kerosene imports in 1932 amounted to 23,000,000 gallons; in 1931, to six million gallons; gasoline imports in 1932 were 100,000 gallons; in 1931, 639,000 gallons. These figures show how rapidly Soviet imports have forged ahead. Gasoline prices have been cut during the present year about 40 or 50 percent.

Dr. Hu Shih Returns to China from Banff Conference

Dr. Hu Shih, Chief Chinese delegate to the Pan-Pacific Conference at Banff, arrived in Shanghai from Canada Oct. 19. In an interview after his arrival he said the Banff Conference accomplished more than any of its predecessors for several reasons. Due to the geographical location, more experts in various lines were able to attend, as well as practical business men. Also, frank discussions of economic problems, among them the ten national groups were fruitful, since they were carried on under the leadership of authorities. The delegates found these economic discussions so valuable that it was decided that the next conference, to be held two years hence, either in Honolulu, the Philippines, or Calfornia, should be a continuation of this study.

Dr. Hu said that personally his visit to the Conference meant a discovery of Canada, for there had been little contact between the two countries. He said he came to know and love the Canadian leaders, with whom he discussed prevailing immigration restrictions with great frankness.

Amoy Merchants Boycott Butterfield & Swire Boats

The Shanghai Chinese Chamber of Commerce has received a telegram from the Amoy Seamen's Union urging Chinese merchants in Shanghai to sever economic relations with Butterfield & Swire and not to send cargoes on board their vessels. The Amoy Union said that they would declare a strike against the said Company and would refuse to unload any cargo carried by Butterfield & Swire vessels from that date. They say that the strike is in support of the workers on board the s.s. *Woosung* who were dismissed by the Company several months ago.

Japan's "Red-Figure" Finances Leading Toward Early Inevitable Bankruptcy

BY CHEN PIN-HO (陳彬龢)

FOLLOWING the Manchurian invasion of September 18, 1931 Japan declared for herself an "extraordinary emergency." Her annual expenditures of the year 1931 amounted to Yen 1,476,875,000. On account of enormous special contingent allowances needed for the Manchurian invasion, expansion of armament and depression relief measures during the new period, Japan's expenditures increased to Yen 2,012,165,000 in 1932. Meanwhile, due to the chronic nature of the economic depression, her revenues derived from taxation and government enterprises declined materially. Thus, there occurred in the budget a deficit of about Yen 800,000,000 in red figures, which was made up largely by public loans. The budget of the current year (1933) has shown a greater deficit—about Yen 1,300,000,000, and the public loans issued in order to balance the budget have reached the aggregate of over Yen 1,000,000,000. This situation has had important bearings upon the status of public credit and finance. Up to June 1931, the total of Japan's public loans amounted to Yen 6,000,000,000, but by June 1933, it has increased to approximately Yen 7,100,000,000. If the situation remains, it is quite possible that in another two years the total of Japan's public loans will be over Yen 10,000,000,000. By then, her national finances will come to collapse.

Japan's tremendous deficit in national budget has had no precedent in her history. At present, she is not only unable to meet contingent expenses, but is also not in a position to pay the entirety of regular appropriations. For 1933, her national revenues amount to Yen 1,291,106,000, while regular appropriations total Yen 1,364,976,000, a deficit of Yen 73,870,000. This has never happened in Japan since the proclamation of the "Budget Law." In her original estimates, quite a portion of national revenues that should properly be alloted to regular appropriations have been included in contingent allowances. Should the expenses for maintenance of warships, subsidies to colonies, reclamation enterprises of the Hokkaido district, navigation lines and many other private industries, be also included in the regular appropriations, the actual deficit would be over Yen 300,000,000.

Outwardly, the deficit appearing in budget statements occurs only in the present year (1933), but when comparisons of revenues and expeiditures for recent years are considered it is apparent that the percentage of expenditures has increased for some time already. The following table shows Japan's budgets from 1926 to the present:—

Japan's Budgets for the Past 8 Years
(Unit of Yen 1,000)

Year	*Revenue*	*Expenditures* (Regular appropriations)	*Difference*	*Percentage of Expenditures*
1926	1,452,409	1,082,792	369,617	74.6
1927	1,484,779	1,172,117	312,662	78.9
1928	1,505,012	1,184,355	320,657	78.7
1929	1,481,143	1,212,726	268,417	81.9
1930	1,422,059	1,202,151	219,907	84.5
1931	1,314,911	1,111,824	202,087	84.6
1932	1,282,225	1,233,492	48,733	96.2
1933	1,291,106	1,364,976	73,870§	105.7

Note: § indicates deficit. *Economist* Oct. 1, 1933

From the preceding table it is seen that since 1928 the percentage of expenditures in Japan's budgets has been on the increase. In the year 1933 the expenditures have reached 105.7% as compard to revenues, indicating a deficit of Yen 73,870,000.

As previously stated, regular appropriations for 1933 amount to Yen 1,364,976,000 and contingent allowances must not exceed the 1933 total—Yen 2,309,415,000. After this amount is partly covered by regular revenues, there is a tremendous deficit in red figures, which situation is termed by the Japanese "public finance of extraordinary times."

There has been considerable dispute over the pros and cons of the two remedies of red figures finance —that is, increase of taxation and floating of public loans. But, govenmrents have invariably been inclined to adopt the public loan policy. Public loans issued in order to remedy the red figures finance totalled Yen 120,000,000 in 1931, Yen 684,000,000 in 1932 and Yen 950,000,000 in 1933.

What, if any, will be the changes in the budget for 1934? The tentative estimates of appropriations for the coming year amount to a total of Yen 1,420,000,000, but requests from various Ministries and Departments for new appropriations and allotments are not included. These requests have already been forwarded by the various Ministries and Departments to the Finance Minister. The total of new appropriations and allowances requested amount to well over Yen 1,300,000,000 (*The Central Review*, October 1933, annex pp 38, article by Tsuchinata). The Finance Ministry proposes that the aggregate amount of all appropriations and allowances must not exceed the 1933 total—Yen 2,309,415,000. Thus, after deducting the amount of tentatively estimated regular appropriations from national revenues, there will be a margin of Yen 900,000,000 to be allotted to take care of new requests. In general, therefore, the red figures in the 1934 budget, whilst its exact amount is not ascertainable at present, will be larger than those appearing in the 1933 budget, unless extreme caution is exercised in approving appropriations. It is quite impossible that the 1933 red figures will be reduced in the coming year.

Nature of Japan's Red Figures Finance

Red figures finance consists of two classifications, namely (a) permanent red figures and (b) temporary red figures. Excesses of regular appropriations over regular revenues are called "permanent red figures," and deficits caused by special contingent allowances necessitated by emergencies, such as the military expenses incurred during Japan's invasion of Manchuria and expansion of armament, are called "temporary red figures." Permanent red figures appearing in the budget of a certain year will most likely re-appear in the budgets of following years, since they are of a chronic nature. Temporary red figures are of a fugitive nature, but so long as the emergency situation remains unsettled, they will continue to appear in budgets. It is also quite possible that following settlement of the emergency situation, a portion of the temporary red figures will become of a permanent nature.

Generally speaking, the term of red figures finance is often considered as of a temporary nature only. This is entirely erroneous. The more serious case is red figures finance of a permanent or chronic nature. The situation is further explained in the following.

(a) Permanent Red Figures

As permanent red figures will remain for a prolonged period, they are usually to be found in a "financial plan" for a number of years. The preparation of such a plan is usually based upon estimates of expenditures and revenues for ten years. This estimates will be used as a frame-work of annual budgets. The financial plan of Japan for the ten years from 1933 to 1942 has not been made public by the Japanese authorities, so that it is impossible to find out the tentative, permanent red figures of 1934. But estimates may be formed on basis of a resume of previous budgets; and based upon the figures of expenditures and revenues of the 1933 budget, an estimate of the 1934 budget may be obtained. It appears that there will be but few changes in the next

budget. The 1933 budget shows Japan's regular revenues during the year to be Yen 1,291,106,000 and regular expenditures Yen 1,364,976,000— deficit of Yen 73,870,000. From the extent of the deficit recorded in the 1933 budget, it is apparent that the red figures will remain in budgets for the next ten years. These red figures, which have occurred under regular appropriations, are of a chronic nature.

Besides, there are also chances for the presence of figures resulting from ordinary contingent allowances. The so-called "contingent allowances" in Japan, are outwardly, of a temporary nature, but, from the standpoint of financial policy, they are in the nature of regular appropriations. Such contingent allowances totalled well over Yen 200,000,000 during 1933. In the past, these allowances were defrayed from surplus of national revenues. As the national revenues of 1933 are insufficient to meet regular appropriations and, of course, no surplus is available, these ordinary contingent allowances must be considered as a deficit and be combined with the Yen 73,870,000 red figures under regular appropriations as permanent red figures. The total, then, is about Yen 300,000,000.

In order further to prove the permanent nature of the present red figures and the possibilities of maintaining the *status quo* in Japan's expenditures and revenues, for the next few years, there is quoted below the latest estimates of national expenditures and revenues for the period of ten years, 1931-1940. Comparisons of expenditures and revenues and the differences (surplus of revenues) and ordinary contingent allowances are also included in the following table:—

Estimates of Expenditures and Revenues of Japan for the Period from 1931 to 1940
(Unit of Yen 1,000)

Year	*Regular Revenues*	*Regular Appropriations*	*Surplus*	*Ordinary Contingent Allotments*
1931 ...	1,394,295	1,179,777	214,518	268,751
1932 ...	1,366,429	1,175,634	190,795	264,145
1933 ...	1,367,156	1,176,578	190,578	243,675
1934 ...	1,375,284	1,175,853	199,431	250,287
1935 ...	1,381,700	1,177,066	204,634	253,632
1936 ...	1,381,266	1,179,291	201,975	251,425
1937 ...	1,385,776	1,182,899	202,877	247,246
1938 ...	1,285,238	1,173,364	211,874	237,252
1939 ...	1,385,273	1,170,791	214,482	212,532
1940 ...	1,384,865	1,168,134	216,731	191,704

(This table is quoted from the "Keizai-Orai"—Economic Monthly, September 1933, pp. 66.)

It is noted from the above table that (a) the estimated expenditures and revenues for the years are practically same as those of the "standard" year (1931); (b) the average surplus of revenues for the period is approximately Yen 200,000,000 each year; and (c) the estimated ordinary contingent alllowances for the period are between Yen 200,000,000 and Yen 260,000,000, annually, which are to be covered by surplus in revenues.

Thus, in preparing the financial plan for the period of ten years following 1933, the same method will be used. It may be forecast that (a) the annual expenditures and revenues for the period of ten years from 1933 to 1942 will be practically the same as those of the year 1933 (revenues Yen 1,291,106,000 and expenditures Yen 1,364,976,000); (b) the expenditures will be about Yen 73,870,000 in excess of revenues; (c) ordinary contingent allotments will be from Yen 200,000,000 to Yen 260,000,000; and (d) no funds will be available to defray contingent allotments for the next period. When the deficits under (b) and (d) are combined, there will be about Yen 300,000,000 in permanent red figures.

(b) Temporary Red Figures

The total of ordinary and special contingent allotments during the year 1933 amounts to Yen 944,439,000, of which about Yen 300,000,000 being of a more or less permanent nature. The balance, Yen 644,000,000, is of a temporary nature. These red figures consist of military expenses for the Manchurian invasion, expansion of armament, and depression relief measures. Such special items of contingent allotments have caused Japan's budget to be increased from Yen 1,476,875,000 (1931) to Yen 2,012,165,000 in 1932 and Yen 2,309,415,000 in 1933. These items are further explained as follows:—

(1) *Manchurian Invasion.* Following Japan's invasion of Manchuria, the special allotments to the Ministries of War and Navy have naturally been increased. In the same time, the special contingent allowances to the Ministries of Foreign Affairs, Finance, and Communications, the Chosen and Kwantung military directorates have also been enlarged. Up to 1933, the aggregate of these expenses is Yen 572,950,000.

Japan's Special Allotments for Invasion of Manchuria

Year	*Ordinary Allotments*	*Special Allotments*	*Total*
1931 .....Yen	78,840,000	820,000	79,660,000
1932 .....Yen	297,930,000	4,410,000	302,340,000
1933 .....Yen	186,330,000	4,610,000	190,940,000
Total ..Yen	563,100,000	9,850,000	572,950,000

The allotments in connection with Japan's Manchurian invasion are, to all outward appearances, of a temporary nature. But, will these allotments be unnecessary in the near future? The facts that Japan is making preparations for permanent occupation of Manchuria, that her relations with Soviet Russia are drifting from bad to worse, necessitating preparations for war, and that she is still advocating an ambitious scheme for invasion of the entire North China area inside of the Great Wall, clearly indicate that the above special contingent allowances will not be reduced for some time at least. Further, provided that the Manchurian situation is settled and there is no danger of an international war, Japan will still have to maintain large forces in Manchuria in order to suppress revolts on the part of Chinese citizens who are inhabitants of the area for centuries, as well as to prepare herself for foreign intervention. Under such circumstances, the Manchurian allowances will become a permanent nature. The allotments requested in connection with the Manchurian situation for the next year are reported to be Yen 150,000,000. It is readily seen that the special contingent allotments in question will not be reduced in the years to come.

(2) *Expansion of Armament.* On the eve of the Second World War, expansion of armament is a common undertaking of the Powers. Following explosion of the Manchurian situation and deadlock of the London Economic Conference, the Powers have feverishly engaged in expanding their armaments, air forces, and naval fleets, and have staged gigantic demonstrations of their military strengths, openly threatening the peace talks at Geneva. In spite of world economic depression, the arms industry has developed in great measures. The Japanese military authorities have openly declared that armament expansion will be a means to overcome economic depression. Although the national budget has shown tremendous deficits in red figures, the authorities have been most extravagant in making allotments for the purpose of armament expansion. The following table shows Japan's recent armament expansion in figures:—

Armament Expansion in Japan during 1933

	Army Department	*Navy Department*	*Total*
Regular allotments Yen	18,099,000	16,147,000	34,246,000
Special allotments Yen	96,546,000	109,187,000	205,733,000
Total ..Yen	114,645,000	125,334,000	239,979,000

(The above table is quoted from the 1934 Asahi Year Book, pp 149.)

From this table it is noted that the amount of funds for armament expansion has been over Yen 239,970,000.

Under the heading of 'regular allotments' the amount of Yen 34,246,000 is ostensibly for contingent purposes, but it is actually of a permanent nature. The amount under the special item is liable to be repeated again, and the amount will likely become greater each time the allotments are requested. For example, the allotments for building of warships mark the beginning of the Second Plan for the expansion of Japan's Navy, and tremendous funds will be needed for the execution of the entire plan. After the plan is carried out, allotments for the maintenance of additional warships will be required.

When appropriations for the Manchurian invasion and expansion of armament are combined, the actual amount of funds spent during the period of over two years from September 1931 (when the Manchurian event took place) to the end of 1933 is approximately Yen 812,000,000. The amount needed for the next year (1934) will be much greater. Thus, it is apparent that during the present so-called extraordinary period, Japan's contingent allowances will never be reduced.

(3) *Depression Relief Measures.* This allotment is required for depression relief measures, including subsidies to large existing enterprises, funds for establish-

ment of new undertakings and organizations to increase the purchasing power of the people. For this purpose, a sum of Yen 600,000,000 has been alloted for the period of three years, 1932-1934. During 1932 and 1933, however, a total of Yen 400,000,000 has already been expended. The remaining Yen 200,000,000 will most likely be exhausted during the year of 1934. By 1935 this allotment will still be needed, in a different from at least. Items such as expenses for river conservancy, harbor repairs, and other construction works under the Ministry of Interior will continue to appear in the budgets of following years. Allowances for reclamation and agricultural improvements under the Ministry of Agriculture and Forestry existed before the present depression, and so long as the relief movement is in force, these expense will be incurred. If the above contingent allowances continue until 1935, they will have to be considered as regular appropriations and paid by funds from regular national revenues. Unless such revenues are increased, the permanent red figures in future budgets will substantially increase.

Reasons for the Presence of Red Figures Finance

From budgets of any national government, it may be noted that the amounts under regular appropriations are comparatively consistent. Considerable changes happen usually under the heading of contingent allotments, which are inclined to increase instead of decrease. This tendency is clearly explained by the following table:—

Japan's Expenditure and Revenues During the Past Five Years

	Revenues			*Expenditures*			
Year	*Regular*	*Contingent*	*Total*	*Regular*	*Contingent*	*Total*	*Surplus*
1929	1,481,143	345,301	1,126,444	1,212,727	523,590	1,736,371	90,127
1930	1,422,060	174,913	1,596,972	1,202,152	355,711	1,557,864	39,018
1931	1,314,912	216,170	1,531,082	1,111,824	365,051	1,476,875	54,207
1932	1,282,225	729,940	2,012,165	1,233,491	778,674	2,012,165	——
1933	1,291,106	1,018,309	2,309,415	1,364,976	944,439	2,309,415	——

(Unit of Yen 1,000)

According to the figures contained in the foregoing table, the total of expenditures for 1931 was only Yen 1,476,875,000. In 1932 it has increased to Yen 2,012,165,000 and in 1933, to Yen 2,309,415,000. It may be noted that there have been but little changes under the heading of regular appropriations. The contingent allotments have, however, rapidly increased from Yen 365,015,000 in 1931 to Yen 778,674,000 in 1932 and Yen 944,439,000 in 1933. The latter is then chiefly responsible for the presence of red figures.

The reason why Japan's expenditures—particularly special contingent allotments—increased rapidly, is obvious. In 1931 Japan launched her campaign in Manchuria and in the same year the storm of world economic depression was at its climax and Japan was particularly hit. All industries were crippled and farm economics were on the verge of collapse. It was also a year of grave situation concerning international questions. Thus, the term of "extraordinary times" was justified. In order to meet the situation, special allowances were allotted for the Manchurian invasion, armament expansion and relief measures for depression—regarding these an explanation has already been made undr the heading of temporary red figures, and it suffices to refer to the remarks therein contained.

As previously stated, the increases in expenditures for the years of 1932 and 1933 have been due to a continuation of the special contingent allowances created in 1931. In addition, the economic depression has seriously curtailed revenues derived from taxation and government enterprises. This factor has also contributed towards the presence of tremendous red figures. The plan adopted by the Japanese governmnt in the past to meet the situation of red figures finance has been floating of public loans. The total of public loans issued during 1932 reached Yen 684,000,000 and during 1933, Yen 949,500,000. On account of economic depression, the people were not in a position to raise any funds and these public loans have practically all been made by the Japanese banks which, in turn, issued, against the public loans, large amounts of bank-notes, causing an over-expansion of the paper currency.

Chronic Nature of Japan's Red Figures Finance

Against the Yen 962,000,000 of red figures in the 1933 budget, public loans to the value of Yen 949,500,000 have been issued. The situation has been most grave, in view of the percentage of the deficit that has been made up by public loans.

Immense amounts of red figures and public loans are the outstanding features of the 1933 budget, indicating a great change in financial matters in Japan. But, will the 1934 budget be restored to the normalcy of two years ago? Will the large red figures and public loans be reduced? These are exceedingly doubtful questions.

Competent estimates of the expenditures and revenues in Japan's budget for 1934 cannot be formed at present. From the point of the tremendous amount of contingent allowances (Yen 1,300,000,000) that has been requested for the next year by the various Ministries and Departments, it appears that the 1934 figures will not be less than those of 1933 (Yen 2,309,415,000); and that public loans to be floated in 1934 will be as much as Yen 950,000,000 (1933 figures). The basis which is used by the Ministry of Finance to frame up the next budget is the 1933 figures. Although the exact extent of red figures to appear in the 1934 budget cannot be predicted, it is positive that they will most likely exceed the 1933 red figures.

Therefore, red figures finance is not a special feature of 1933 alone, but it will assume a chronic nature. If this situation remains unremedied, Japan's public finance will only drift from bad to worse, leading to an early collapse.

Effects of Chronic Red Figures Finance

What will be the eventual result, provided that the large red figures of deficits are from year to year being made up merely by floating of public loans? At the rate of 4%, interest payments on the public loans issued during 1933 will be approximately Yen 38,000,000 a year. If this is continued for three years, interest payments alone will amount to approximately Yen 114,000,000. As these will have to be defrayed every year, they will become a part of regular appropriations in the budgets. Under existing conditions of Japan's red figures finance, the national revenues are already insufficient to meet present needs, and, apparently, there will be no funds with which to pay interests on public loans. Eventually, new loans will be floated in order to meet interest payments on old loans. The multiplication of loans serves to becloud all prospects of Japan's public finance. It will lead to the government's bankruptcy, when public confidence will be fundamentally shattered.

What will private financiers do if the red figures finance of the government tends to become permanent? The inevitable outcome of the situation will be (a) decline in exchange rate and (b) expansion of paper currency. Under these circumstances, Japan's international credit will be adversely affected. Some people think that a drop in exchange rate will serve to help Japan's foreign trade, so that they may welcome it, neglecting its far-reaching dangers. It is pointed out that this interpretation is only partly true. These Japanese must remember that there should be a limit in exchange value. When Japan's exchange value is declining, other countries are likely to levy "dumping" taxes on Japanese goods or even go so far as to cancel commercial treaties with Japan. Thus, when Japanese goods are exported, they will find no market because of their increased prices caused by heavy taxation. The domestic market for Japanese goods will in the meanwhile be affected by over- production, resulting in lowering of prices. In those industries that secure their materials from foreign sources, the cost of production will be too high to be remunerative. At present, the exchange rate of U.S. gold dollar is gradually being lowered and the Japnese exchange value is consequently on the increase. This fact may be interpreted by the Japanese as a factor which will "boost" the exchange value of Japanese currency. But, although the Japanese-U.S. exchange rate is comparatively favorable, the Japanese-British exchange rate remains unchanged. Aside from these it must be remembered that drop in exchange value resulting from chronic red figures finance will, in the long run, lead to grave dangers.

Chronic red figures finance will bring about an over-expansion of paper currency, since Japanese banks will eventually circulate in the market such public loans as are issued by the government, mostly in the form of increased paper currency. It is estimated that under the

present financial situation, Japan will have to float about Yen 1,000,000,000 of public loans every year. If these loans should be entirely raised from the Japanese banks, it would undoubtedly bring about an over-expansion of the paper currency in a short interval of time. At the same time, it will cause depreciation in the value of paper currency until it drops below a respectable limit. It will give rise to considerable complications in matters of credit—creditors, particularly, will sustain heavy losses from the depreciated paper currency. The credit system will be fundamentally broken down. High cost of living will hit the salary and wage classes, because their income will not be able to keep abreast with the prices of daily necessities. There will at once be trouble among the community, and the entire people will, before long, be thrown into the ocean of unrest. The experience of history has already taught us clearly of the ramifications of such a serious situation, and recent happenings in European countries serve as further proofs. It is impossible to say that the Japanese will not be endangered by over-expansion of paper currency.

Possible Remedies of Red Figures Finance

In principle, there are three possible plans with which to remedy the situation of red figures finance. They are: (a) issuing of public loans, (b) increase of taxation, and (c) financial retrenchment. The policy of the Japanese government in recent years consists entirely in issuing public loans. As stated in the previous paragraphs, Japan will be bankrupted by continued loan issuing. The total of Yen 1,364,976,000 of regular expenditures appearing in the 1933 budget represents a portion of at least Yen 370,890,000 that has been covered by public loans, amounting to about 27 per cent. The amount of public loans issued is comparable with the aggregate of income tax which is one of the largest items of tax receipts (Yen 138,100,000), land tax (Yen 58,150,000) and wine tax (Yen 180,450,000). The loan policy will only send Japan's public finance to decay, so that the first plan of possible remedy is impractical.

In regard to the second plan, increase of taxation, it is generally known that Japan has been seriously affected by the world economic depression. Business failures, collapse of farm economics, unemployment and many other similar conditions are prevailing. If taxation is further increased, it will only serve to accelerate the tension which is already manifest among the masses. As a matter of fact, the Japanese government is, in many instances, compelled to pay subsidies to private industrial enterprises in order to prevent failures. There is not the least likelihood of tax increase for the time being, and the second plan for possible remedy of red figures finance is also considered inadvisable. It is quite likely that, due to a knowledge of this situation, the Japanese government has refrained from adopting this policy in the past.

The third plan calls for financial retrenchment. In ordinary times, this plan may of course be used. But, during the present so-called extraordinary period in Japan, when she is being threatened from both inside and outside, such allowances as for armament expansion will not be reduced in the future but will, instead, be increased. Tsuchinata, one of the well-known Japanese economists, declared that: "Many people have considered that the present is a grave period for Japan. But, from my own observation, the real period of extraordinary times will be several years later, when the Powers are in a position to intervene in Far Eastern affairs or when the Naval Agreement has expired.....It is only by then that the real period of grave situation will come into being. Japan must now renovate her farm economics and rehabilitate her confused finances, in order to be in readiness to meet the real grave situation." In view of the opinion as expressed in the above quotation, which represents the general attitude of the Japanese, the third plan of financial retrenchment is also not feasible.

In conclusion, Japan's public finance has reached a state of exhaustation. Under her present politico-military policy, it is useless to expect that she will find a fundamental solution of her financial complexities. It is no longer a purely financial problem, but has grave political and military significance. In Japan, there are two schools of thought in connection with the possible remedies of red figures finance, one supporting increase of taxation and the other preferring public loans. In fact, however, neither of these plans will prove to be effective in present day Japan.

Murderess Sentenced to Hang Appeals to British Minister for Clemency

Katherine Hadley, a Latvian-born woman, who gained British nationality more than a decade ago by marrying an Eurasian then in the employ of L. Moore & Co., auctioneers, (who committed suicide) and who was several years ago acquitted in Tientsin of a charge of murder in a case where a man was stabbed by her, and who was found guilty recently by a British jury in Shanghai of murder and sentenced to death by Judge Grant Jones, the victim being a South-American born, naturalized British subject, Captain Youngs, who died as a result of stab wounds inflicted by her, has made an appeal for clemency to the British Minister at Peiping, with the assistance of the British Women's Association. The pair were living together at the time of the murder, but the evidence in the case showed that they frequently engaged in drunken orgies, had numerous quarrels, and that she was at intervals an inmate of the Foreign Woman's Home, which she left a short time previously to the murder, at the earnest request of Capt. Youngs. She gave evidence in her own defense to show that the deceased had been treating her shamefully. Capt. Youngs was allegedly responsible for the planting of the bombs in the Whangpoo last year with the object of blowing up the Japanese flagship *Idzuma*.

Epidemic Breaks Out in Western Shantung Flood Area

An epidemic has broken out in the flooded areas in western Shantung, according to a report from Dr. Mei I-lin, Chief of the Public Health Section of the Yellow River Flood Relief Commission. Dr. Chang Lin-erh, of the Public Health Section, has been despatched to inspect conditions at Changyuan, Tungming and Puyang.

At a meeting of the Shantung Provincial Government Committee Oct. 27 a resolution was adopted to reduce the salaries of all Provincial Government employees in order to raise funds for the relief of the flood refugees.

The guarantees of the Ministry of Finance having been obtained, negotiations between the Huai River Conservancy Board and the Board of Trustees for the British Boxer Indemnity Refund for a loan of eight million dollors for water conservancy, have been resumed.

It is understood that upon the completion of the dykes and waterlocks at various points on the Huai River, the revenue from transportation tolls will be set aside towards repayment of the loan.

Arabs Riot in Palestine Against Influx of Jews

A serious situation has developed in Palestine as a result of Arab riots which first of all broke out at Jaffa as a protest against the further immigration of Jewish colonists. Spreading to Haifa, Jerusalem and other centers and even threatening to extend to Damascus, Arab resentment at casualties which resulted from a clash at Jaffa has flared up and riots and disorders are reported in many places. In serious affrays at Jaffa, Palestine, Oct. 27-28 the police opened fire on mobs of Arabs who were making determined attacks on a police station and generally defying police authority. The casualties included 11 killed and 150 wounded. The latter included two British policemen. According to reports from Egypt, the trouble is now spreading from Palestine into Trans-Jordania.

A political crisis has arisen in Iraq following the resignation of the so-called National Cabinet led by Reshid Ali Beg-elailani, which was immediately accepted by King Ghazi.

Chinese in French Territories Press for Recognition of Status

The date for the formal signature of the Sino-French-Annam Commercial Treaty has been indefinitely postponed as a result of new complications arising from a divergence of opinion over the question of the petroleum tax. The negotiations have reached an impasse, despite assurances to the contrary last week.

The National Government has received a further telegram from Chinese residents in French Indo-China urging the immediate conclusion of a treaty with France regulating their status.

The Problem of Shanghai's Ricshas---A Move to Abolish Them

China, Japan and the Straits Settlements have one thing in common, namely the man-power-cart (which three words are a literal translation of the three Japanese words jin-ricki-sha) usually linked in English into one word and abbreviated to "ricsha." It is a man and not a horse that runs between the shafts. However, strange to say

—From the Saturday Evening Post

"Oh Dear, I'm Afraid I Made Him Mad When I Said 'Giddap'"

the Japanese themselves use the word "kuruma" (literally, a cart) as the name for this vehicle. The Philippines stand out among Asiatic countries as not using men instead of animals as a means of propelling wheeled vehicles. Several decades ago when some Chinese wished to introduce the ricsha into the Philippines there was a riot, and the plan was abandoned. The picture above will find responsive echoes in the minds of all Westerners who have ever been to China or Japan. The temptation to say "giddap," the word used as a command to horses to move, is almost irresistible. Ricshas have been on the streets of Shanghai ever since its foundation. The original ricshas were little more than small carts. The tires were iron-bound and to ride in them was a nerve-racking experience. Rubber tires came into existence about a quarter of a century ago, but not the pneumatic kind, which in these days make ricsha riding a pleasure. The first rubber-tired ricshas here were of a tall spindle-type and the rubber tires were solid, and only a slight improvement on those previously used. There are about forty thousand ricshas on the streets of Shanghai (International, Chinese and French areas combined); and about 140,000 persons are dependent on them for a living. Although there are some few individual public ricsha owners, the greater part are owned by large ricsha companies, the coolies hiring them from the companies at a the rate of a Chinese dollar (sometimes less) per day of 24 hours. One of the principal renting companies is the Star Ricsha Company. In order to get the full benefit of the hire, two or three pullers take turns between the shafts. Plans to restrict their number form a perennial subject of discussion. Owing to the fact that there is an increasing member of other vehicles, and the consequent congestion of traffic, a move was once more made several weeks ago towards restricting or abolishing ricshas entirely. As a result of agitation to this end the Municipal Council on October 11 issued an official notice extending an invitation to public bodies, associations and individuals to express their opinions on the subject. The Foreign Ratepayers Association is among those who have been debating the subject; at a meeting Oct. 16 it was decided to urge a gradual reduction, with a view to eventual elimination, of all ricshas—at the same time urging that other facilities for transportation be increased. The ricsha pullers are the special prey of the traffic police, who tear off the ricsha license plates for the least infraction of the rules. Despite the fact that in the eyes of automobile owners they are a "pest," the fact remains that the humble ricsha pullers are a very important link in Shanghai's transportation problem, and incidentally the revenue collected by the Foreign Municipality from ricshas is greater than it is from passenger automobiles.

Lieut. Bert Hall Charged with Defrauding Chinese General

Lieutenant Bert Hall, member of the famed "Lafayette Escadrille" during the World War and later flying instructor in the employ of the Government at Canton, was arrested last week in Kobe on the request of the American consular authorities at Tienstin. He is charged with swindling General Ho Chu-kuo, Northeastern Army commander, of $9,775 in a pistol and ammunition deal. Dr. George Sellett, U. S. District Attorney, made a trip to Tientsin to investigate the case. The accused was brought to Shanghai for trial. He pleaded guilty.

China to Be Asked to Send Drug Estimates to Geneva

The Opium Board at Geneva Oct. 30 decided not to send the usual forms for estimates of drugs required for medical and scientific purposes to the Manchukuo Government in consequence of the recommendations of the Committee of Eighteen. Forms, however, will be sent to to the Chinese Government covering China as well as Manchuria.

Strict suppression of opium smoking has been ordered by General Yen Hsi-shan, Director of the Taiyuan Pacification Headquarters, in identic orders to the local authorities in Shansi province. Regulations concerning opium-suppression have also been announced.

Ministry of Railways Speeds Up Traffic on Land and Water

In compliance with a resolution of the 16th National Through Transportation Conference held at Nanking two months ago, the Ministry of Railways is energetically proceeding with its plans for instituting through traffic on land and sea. The China Merchants' Steam Navigation Company will undertake the planning and execution of arrangements for through water communication.

The China Merchants Steam Navigation Company will work in connection with the Shanghai Nanking, Shanghai-Hangchow-Ningpo, Tientsin-Pukow, Lung-Hai, Kiaochow-Tsinan, Peiping-Liaoning, and Peiping-Suiyuan Railways.

Claiming that the traffic operations of the San Peh S. N. Co. are no less important than those of the China Merchants S. N. Co., Yu Ya-ching, general manager of the San Peh S. N. Co., petitioned the Ministry of Communications for the right to operate a through service in conjunction with the rest of the national railways. On Oct. 28 the Ministry of Communications approved the petition of the San Peh Company for the operation of a through transportation service in conjunction with the Peiping-Hankow and Hunan-Hupeh Railway Administrations.

The "Inevitable" War in the Pacific

(This article by Upton Close, well known writer and lecturer on Far Eastern topics, appeared in the China Press on Oct. 26. Mr. Close, whose real name is Josef Washington Hall, spent considerable time in the Orient last summer, but the Japanese military authorities refused to permit him to travel in Manchukuo, giving as a reason that his writings in the Saturday Evening Post were "anti-Japanese.")

HISTORY has been making rapidly before our eyes this summer. Japan has anounced that she will no longer stay within a naval ratio smaller than that of America and Great Britain. Her trade attack upon the older manufacturing nations has come fully into the open. Japan gives her supreme navy staff authority to overrule any treaty entered into by her civil government, thus making it impossible for any self-respecting nation to enter into armament limitation contracts with her diplomats. The administration of the United States has abandoned its confidence in treaty protection of its territories and interests and has begun building a navy which, we can be sure, will be kept equal to that of Japan as long as the American government exists and can collect revenues. The 15-year old American policy of ignoring Russia has been definitely abandoned.

When I have pointed out these things most people ask me, after the blunt way in which most people think: "Do you expect war between Japan and the United States, and if so, how soon?" Blunt questions usually require very involved answers. However, let's try to answer this question so important to nations, races, business and individuals as bluntly as possible, bearing in mind all the "ifs" and "buts" my previous seven articles have sugested.

Military Clique Strong

First the premises, then the conclusion. Premise 1. There seems no longer hope for the overthrow from within of the Japanese military clique, which believes that it is operating under stars so favorable that it can afford to take any risk in establishing once and for all at this time Japan's complete domination of the Pacific west of Hawaii and absolute political and economic control of China proper. Japan is at present paying her campaign expenses with the trade which she captured in these areas and other outlying portions of European empires. The people of Japan have been so convinced by propaganda and sensationalism of Japan's inevitable success and of the decline of the white nations, particularly Great Britain, that they will not permit discretionary pauses or retreats in the campaign. This is an entirely different situation from the national-honor-or-suicide frenzies which temporarily existed in Japan at numerous other times when talk of war between Japan and America has been heard.

Premise. 2. It seems doubtful if any administration in the United States would make such a right-about-face in Pacific policy as alone could wipe out the Japanese conviction that America is a menace to Japan's ambitions. To truly establish Japanese-American friendship today would require on our part the abandonment of the Open Door Policy, the recognition of acquisition of territory made in defiance of treaties, and the withdrawal from China of moral support tendered her in all her vicissitudes since the days of the clipper ships. It would require complete giving in to Japan's demands that our firms cease selling China airplanes and that our government prohibit Americans from teaching Chinese their use. It would require that the United States make no loans, money, wheat or cotton to China henceforth without Japanese approval. Also it would require that America render Russia no encouragement that would stiffen Soviet resistance on its Pacific front.

America Tricked?

Premise 3. It seems exceedingly doubtful that the exacting conditions upon which alone Japan will enter any renewal of naval limitation after 1935 will be given consideration by any conceivable American government. These conditions are: First, absolute parity—the abandonment of the theory that since Japan fronts on only one ocean and has no far-flung lines of empire to protect she requires only three-fifths as much navy as Great Britain or America; second, recognition of Japan's outright ownership of the mandated islands. Should Washington be willing to make both these concessions, it would find itself unable to enter contractual relations with a power which reserves the right to unilaterally break a contract at any time conveniently considered an emergency by its war lords. On the American side there is the deepening conviction in both State Department and defensive services that America is being tricked under the limitation contract now running out. That is, that although the patriots in Japan gnash their teeth in rage at the "pusillanimous" Japanese statemen who signed the Washington and London pacts, they are secretly laughing in their sleeves at the way in which these pacts have worked to their advantage. They have enabled Japan to catch up with the richer nations without fear of inspiring a naval race. They have lulled the American government under the Hoover administration, for instance, into a naive belief that wars and war materials are things of the past—the while they were logically and thoroughly pushing their imperial plans. Again, through their control of unfrequented Pacific islands and enforcement of secrecy in military zones they have been able to make preparations which amount in effect, as recently declared by Admiral Standley, to naval bases all over the west Pacific—while any counter move on the part of the American navy would appear as unquestionable violation of treaty. It is not likely that a president who has been closely associated with navy problems like Franklin D. Roosevelt—or any other American worthy the name, for that matter—will again place the American navy in a position where it can be made the victim of such tricks.

Permise 4. Chinese resistance to Japanese control will not cease so long as America continues the policies mentioned under Premise 2, and Chinese resistance will bleed Japan to death if long continued. From the standpoint of Japan it seems much less dangerous to risk a thrust at America than the other alternative. Such was the psychology followed in attacking Russia without declaration of war in 1904. It is well to remember that Japanese reasoning usually follows the line of analogy.

All Work Toward Clash

None of these premises holds out much hope of "give" to intelligent examination based on knowledge of actual conditions and present psychology. My judgment would be that the last two will not give at all. If the first does not—and to people living in Japan it appears as "set" as the hold of Mussolini on Italy with the addition that its stability does not depend upon the life of any individual—the development in the Pacific can only be towards armed clash of the most desperate nature. Japan's ambitions might swamp her financially. So far she is financing them splendidly with her trade invasion of the world's markets. If the powers find a way to check this temporarily it would seem that Japan would merely be driven to strike out the sooner. There is, of course, the possibilty that the clash will come with Russia before it comes with the United States, and there is the possibility that Great Britain will be roused to take an active part. As to the first, Russia's statesmen are the most patient and astute watchful waiters that the world of today contains. Great Britain considers the problem to be primarily America's—just as we consider the Hitler problem to concern primarily European Powers.

Is this a dark picture? You asked me to paint it according to nature. Everyone's eyes are naturally colored somewhat, but at least I have worn no colored glasses. We are rapidly approaching the crisis of the most intense act yet put upon the stage of history in the long unending drama of races and nations.

Two Ways Open

Japan under her present leadership cannot be cajoled or persuaded. There are only two ways to react to this situation: one is to deny any concern over its existence and take what comes: the other is to get the blood off our own skirts on the one hand and on the other build up our own powers to madness. Specifically: Rectify the needless insult done the Japanese nation in the immigration act of 1924. Put the Japanese people on their own very small quota basis. Give Japan every fair accommodation in the world's economic set-up. Secondly, explore the extent to which Great Britain, Russia and the United States can honestly stand together in checking the latest jingo menace to humanity.

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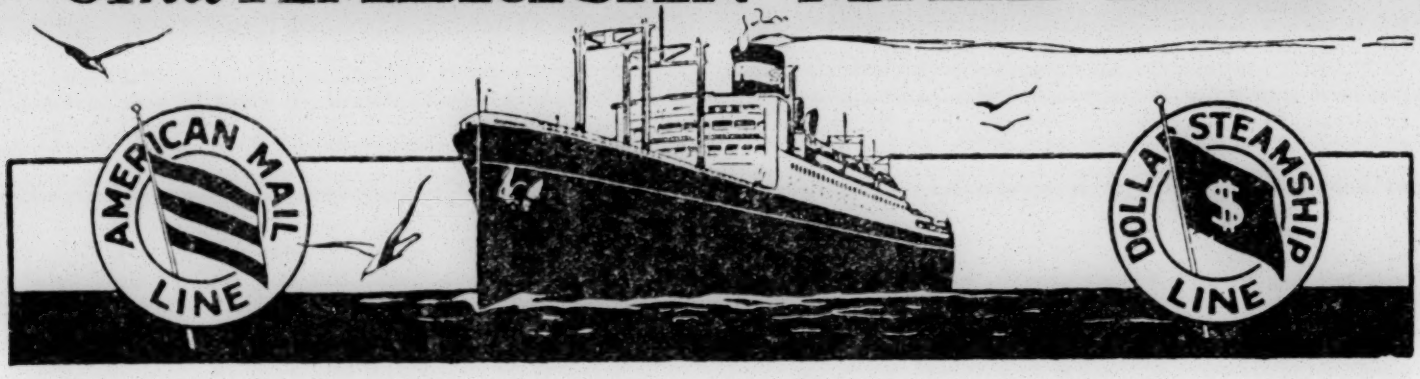

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More on the Refunding of the American Loan with China's Raw Silk and Tea

BY PAUL K. WHANG (汪仲芳)

IT is with a feeling of gratitude and rejoicing that one reads the many favorable comments on my article entitled "To Refund the American Loan with China's Raw Silk, Tea and other National Products," which was first published in the *China Weekly Review* on June 24, and subsequently reproduced in Chinese in the editorial column of the *China Times*, a vernacular Chinese daily, on September 29. In that article, I suggested that part of the U.S. $50,000,000 Cotton and Wheat Loan should be refunded with China's raw silk, tea and other national products, and advanced many reasons to support my argument. My suggestion, to my great satisfaction, has aroused such a nation-wide interest that agitation has been set on foot to urge the Nanking Government to open negotiations with the American Government to that effect. According to a report appearing in the *Shanghai Evening Post* dated October 19, the suggestion has finally reached official circles through Dr. Huang Chung, and has met with approval from Gen. Chiang Kai-shek, chairman of the Military Affairs Commission.

It is inspiring to note that my suggestion has received as much enthusiastic support from the reading public as I dared to expect at first. From many letters and enquiries I have received relative to this subject, I am glad to find that every one has agreed upon its practicability and also the beneficial consequences which can be derived from the American commodity loan in case my suggestion can be successfully put into practice. To a man who has neither political nor business axe to grind and who writes not for the sake of seeking fame but for pleasure can not but feel satisfied with learning that what he advocates has been enthusiastically supported by his friends and approved by the highest government authority. What more encouragement can he expect than to find that his suggestion embodied in his writings will eventually serve a very useful purpose in upholding China's various national industries?

America's Approval Needed

In view of the increasing public interest in my suggestion, it is timely as well as appropriate for me to bring up something more in connection with this subject. Before going any further, let me quote an important passage from my previous article as referred to in the above.

"This American loan would prove more acceptable to the Chinese, if part of it can be paid back in kind instead of specie. It must be said that in the present business depression, cotton and flour merchants are not the only victims who are crying for help, and that silkmen and tea merchants have suffered equally much if not more. Therefore if the American Government is really sincere in giving assistance to the Chinese, and if the Chinese officials are anxious to uphold China's various infant industries, an arrangement can be easily made by which part of the American loan can be repaid with raw silk, tea and other Chinese products habitually demanded by the American consumers."

The practicability and merit of my suggestion has been now clear to all, and the only difficulty in carrying it to practice lies in the securing of the American approval to such an arrangement. The United States is not bound to accept China's raw silk and tea in return for her cotton and wheat, since the original agreement stipulates the payment to be made in specie. But if the Washington Government is really sincere in giving its assistance, I really do not see why we can not open negotiations with the American officials now and persuade them to accept our commodities instead. The American acceptance of this arrangement will certainly make the Chinese people doubly grateful to the American assistance, and will do much to promote the trade relationship of these two countries across the Pacific.

From the American point of view, there are also reasons to be said in favor of this arrangement. In making a huge commodity loan to China, the Washington officials are naturally anxious to see that the money is devoted to some worthy purposes in the way of reconstructing and rehabilitating China. How the money is going to be spent is, of course, entirely a Chinese problem, but as a creditor, the United States has reason to expect that the loan should be so utilized that the amortization payments in future can be insured. It will promote neither the American interest nor the Chinese goodwill, if the loan thus secured should be spent so unprofitably that the future amortization payments should lapse in default, or that the Chinese government should levy an additional tax upon the people in order to meet the amortization payments.

In accepting China's raw silk, tea and other national products in return for her cotton and wheat, the U. S. Government will contribute something to the rehabilitation of her national industries and will in turn help China to solve her problem of national economic distress. The downfall of her silk and tea trade, it must be said, has been partly responsible for the rural economical bankruptcy, general social unrest and unprecedented financial stringency. The depression of tea trade has hit Kiangsi province especially hard, and has been attributed as one of the causes in converting a rich province into a hotbed of communistic activities. The falling-off of silk export has accentuated the farming distress in Kiangsu, Chekiang, Anhwei; Szechuen, Shantung, and Kwangtung provinces, and reduced the farmers to penury. If China's silk and tea trade can be revived, she will be in a good position to solve her many problems relative to rural distress and communistic menace.

In the case of the present American loan, what we actually obtain from the United States are commodities —cotton and wheat. These commodities have to be sold before we can get the hard cash, with which we can start our works of reconstruction and rehabilitation. It will be altogether proper for us to refund this commodity loan with our own commodities such as raw silk and tea. To pay commodities with commodities is not a new idea. At this time of the world business depression when money is scarce, it has been generally suggested that the countries should exchange with each other their respective surplus commodities and that the international indebtedness should be settled by the furnishing of goods.

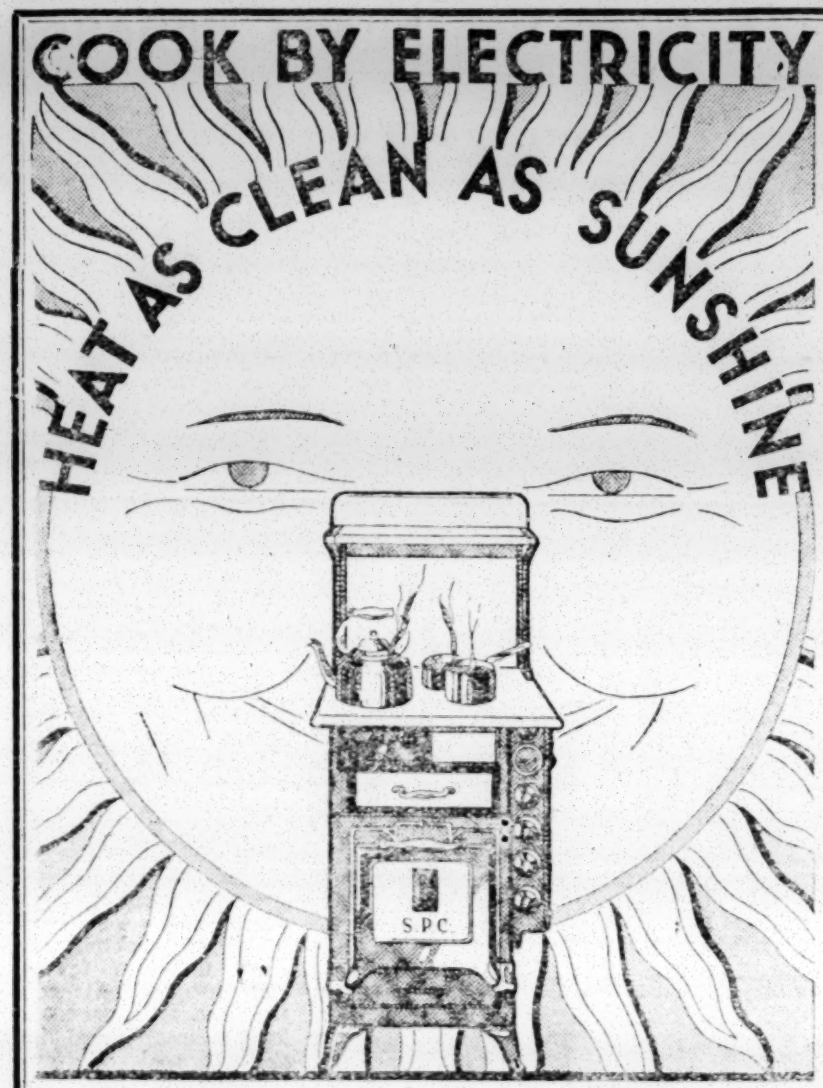
Thus it has been advocated that Brazilian coffee should be exchanged for American manufactured goods, and that Soviet oil should be paid with Japanese products. In regard to Europe's war debts, the American political leaders have been told that the only way to collect anything appreciable would be "to lower American tariff barriers and allow European goods freer entry." This exchange of commodities between the countries, it has been said, will promote international trade, and pave the way for leading the world back to prosperity.

America Should Be Supplied with the Best

One thing I wish to specially emphasize is that the United States is neither a producer of raw silk nor of tea. She has to depend for her supplies of these commodities on the Oriental countries. Of course, she has the choice to buy her raw silk either from China or from Japan, and import her tea either from China or from Japan and India. If she buys more from China, she has to buy less in other markets. Therefore the importation of China's raw silk and tea can in no way affect the American commercial and industrial interests.

In saying so, we should not overlook a very essential point, that is, the quality of our products. In refunding the American loan with our commodities, we have no mind to dump on the American market with our commodities of very poor quality, which can not meet the requirements of American consumers. Therefore I suggested in my previous article that the Chinese government in cooperation with the Shanghai Bureau of Testing and Inspection of Commercial Commodities should test and check the quality of each bale of silk or tea destined for the American exportation and export only those bales the quality of which complies with the American specification.

This measure will dispel any misconception on the part of American consumers that the Chinese silkmen and tea merchants might take advantage of this arrangement to dispose of the products of inferior quality in the American market. As a matter of fact, the Chinese silkmen and tea merchants have long realized the importance of the American market, and have been very anxious to regain this market, which has been lost



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to their competitors.

It is estimated that the American annual import of raw silk exceeds $440,000,000 in value, of which Japan's share amounts to $410,000,000, while China's only totals $15,000,000, which is less than 3 percent of America's annual raw silk import. China's total export of raw silk was $50,000,000 in value in 1932, which is less than one-ninth of America's total silk import. Based on these figures, it is clear beyond doubt that the American manufacturers can absorb China silk without much difficulty.

As regards tea, the American market was dominated almost entirely by China tea about half a century ago, the import from this country being over 90% of the total tea entering the United States. China tea exported to the United States includes the black and green varieties. The black tea is now being displaced by leaf from Ceylon, while the green tea is being replaced by Japanese products. A comparison of Chinese, Indian and Japanese tea imports to the United States in the years of 1860 and 1931 will tell the whole story.

YEAR	CHINA TEA		JAPAN TEA		INDIA TEA	
	Pounds*	Percent	Pounds*	Percent	Pounds*	Percent
1860	31,558	96.41	35	0.11	1,102	3.48
1931	8,204	9.46	21,416	24.00	57,112	65.85

**(In units of 1,000 lbs.)*

Besides raw silk and tea, China can also supply the United States with other national products, of which the latter does not produce enough for her consumption and habitually imports from abroad. They are Wood Oil, Eggs and Eggs Products, Wool, and Skins and Furs.

In making this huge loan to China, the American Government can not be said to be altogether totall prompted by altruism. To all intents and purposes, it has killed two birds with one stone, so to speak; or, in other words, it has, on the one hand, succeeded, by a stroke of the pen, in disposing of its surplus cotton and wheat, and on the other hand, it has proved its traditional friendship to the Chinese people by offering financial assistance in reconstructing China. Its benefit to the United States has been clear, but that to China is yet to be proved in future. As a proverbial friend of China, the United States should without hesitation, on the approach of the Chinese Government, accept the payment of part of the loan, if not the whole, in Chinese commodities, which she herself does not produce but requires for her consumption.

Shanghai, Oct. 30, 1933.

Failure to Pay Teachers Causes Strikes and Riots

The strike situation of the primary school teachers in Peiping has assumed a serious aspect and it is gradually spreading to the middle schools, where the teachers are demanding a sympathetic strike. All government primary school teachers are absenting themselves from their classes and tens of thousands of children have no schools to attend.

Twenty primary school students were seriously and forty-five slightly injured in a clash between the students and the bodyguards in front of the Wuyuan (Suiyuan province) Magistrate's Office Oct. 15 when the former demanded the prompt payment of the salaries of their teachers.

Menacing Advance of Reds in Szechuen Continues

(From the Review's Correspondent at Hankow)

REDS are definitely threatening Wanhsien, the most important port on the Yangtze between Ichang and Chungking. Families of Customs and other officials have been evacuated to Ichang. Suiting, a city sixty miles northwest of Wanhsien, has been captured by the Red hordes and they are now threatening Sinning, a place twenty miles east.

Apparently the Reds are trying to divide the forces against them by this entering wedge. Strategically Wanhsien is of the utmost importance to the whole province of Szechuen in its trade with the outer world, and might be called the Gateway to the large almost self-contained province. At the same time that the commander of Red forces in Szechuen is moving south and east toward the Yangtze River, it is rumored that Ho Lung and his Red army have negotiated the Yangtze at Patung, Hupeh, just east of the Szechuen border. Should this prove to be true it would considerably strengthen the Red cause in Szechuen.

Another rather disquieting report from Chenping, Honan, two hundred miles northwest of Hankow, and 70 miles north of Laohokow, Hupeh, relates that 10,000 bandits allegedly under Red leadership are heading westward with the intention of joining the Red armies in Szechuen. This horde of bandits has been ravaging the countryside from Luyi in northeastern Honan right through the south central section of the province and westward to Nanyangfu and Chenping. The Honanese troops have engaged them in battle, killing hundreds, but they have always managed to flee, at times leaving loot and kidnapped persons behind. Since looting Luyi, in early September, this band has not been able to enter any hsien city. An interesting incident happened after they had attempted the capture of Yencheng on the Peiping-Hankow Railway, and had fled in the direction of Wuyang, 30 miles west of the railway. Here the Honan provincial troops again defeated them and as usual released several captives, among them being an old woman over eighty years of age from Chowkiakow, who claimed they had passed through thirteen counties since her capture. On reaching Yencheng some missionaries found that a person with ransom money was awaiting an opportunity to go west to redeem this eighty year old relative, and that the two found each other at the local inn.

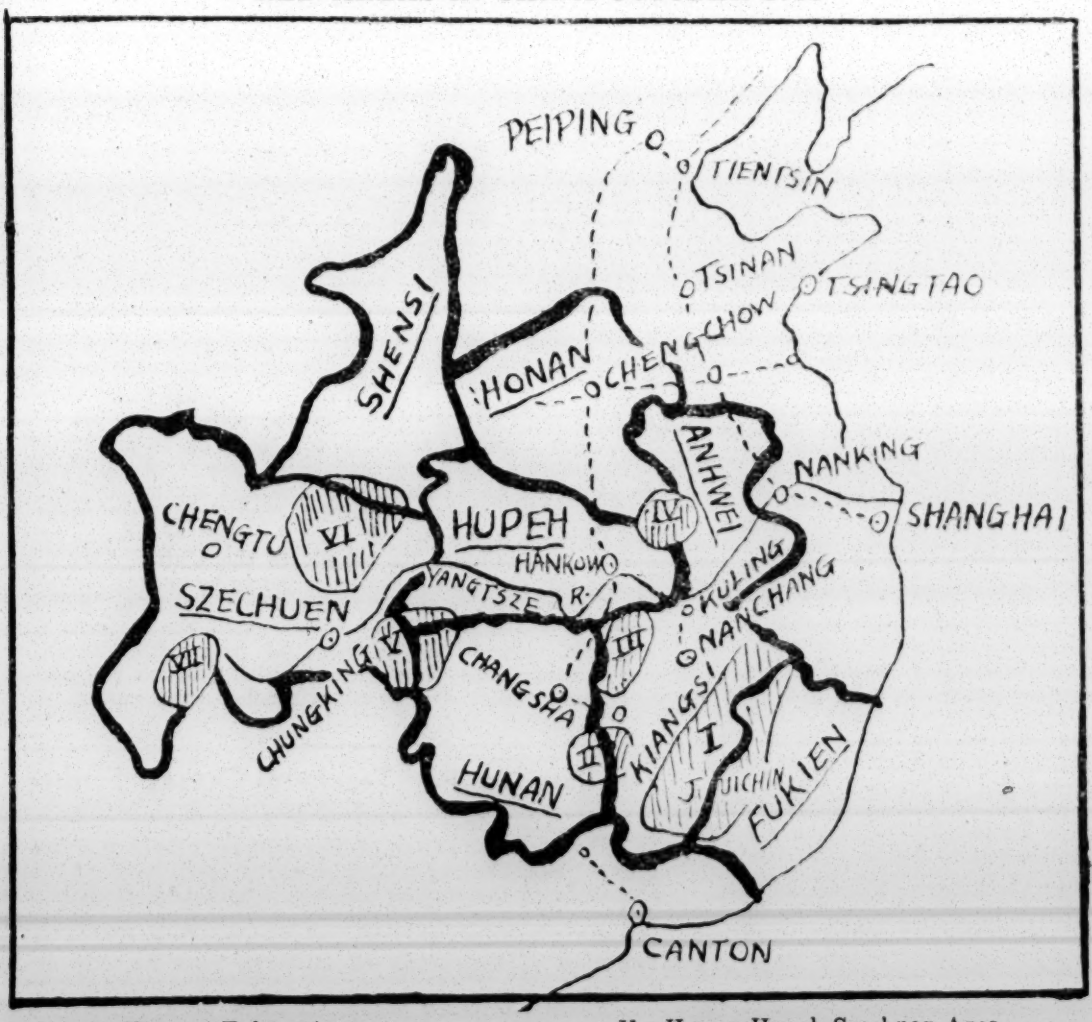
Reds Want to Make a "Model" Province

The Reds have long been scheming to make Szechuen a model Soviet Republic. It would seem as though they were succeeding far better than any one had anticipated. Should Red Leader Ho Lung of Hupeh and Hunan and the Honan-Anhui band succeed in hooking up with their leader in Szechuen, Commander Hsu Hsiang-chien, it naturally would mean a desperate struggle for the supremacy in Szechuen. Even as it is the government troops, torn as they are between the two Liu factions, do not (even though they could) present a united front against the Red advance. Both of the northeastern branches of the Chialing River, which empties into the Yangtze at Chungking, with their fertile valleys and numerous cities, are now the prized possession of the Reds. General Yang Sen has had to give up his headquarters, Kwanganchow, 30 miles north of Hochow, and 70 miles northeast of Chungking, to his enemies, the acquisitive Reds.

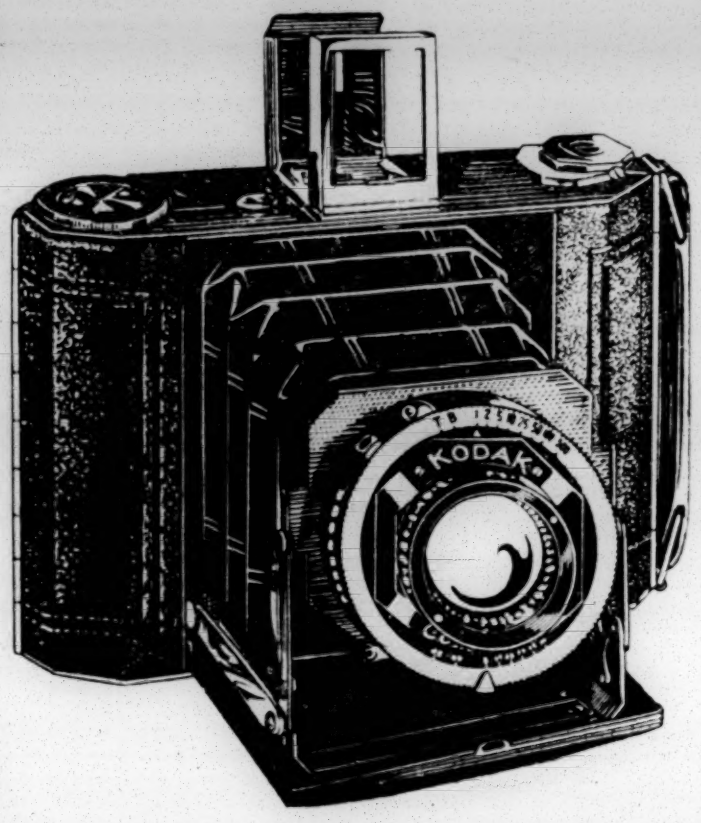
With such danger threatening, General Liu Hsiang, chairman of the provincial government and Chief Bandit Suppression Commissioner in Szechuen, has rushed to Suining, halfway between Chengtu, the capital, and Chungking on the Yangtze, seeking to draw up plans for a counter-attack. Already the loyalist generals have commandeered the Chinese and Italian-Cninese steamers plying between Ichang and Chungking, for the purpose of transporting troop. From Hankow several foreign gunboats have steamed upriver to protect the life and property, if possible, of their nationals. To date at least six have left port.

As General Chiang Kai-shek is continuing his preparation for his mighty drive on the Red forces under Red Commander Chu Teh, and turning the thumb screws tighter and tighter, Chu Teh's allies in the other six areas are trying to cause the Nanking forces as much inconvenience as possible. Now in Western Kiangsi on the Hunan border, south of Ping-hsiang, or north of this city, the troops of General Ho Chien defeated the communist-bandits under Li Tien-chu and under Hsiao Keh, and claim to have killed 1500 in the several engagements, which lasted from 13th to 17th October. But as soon as General Ho Chien left Changsha, the capital

RED AREAS IN CHINA OCTOBER 1933



I. Kiangsi-Fukien Area.
II. Kiangsi-Hunan Area.
III. Kiangsi-Hunan-Hupeh Area.
IV. Hupeh-Honan-Anhwei Area.
V. Hunan-Hupeh-Szechnan Area.
VI. Szechuan-Shensi Area.
VII. Szechuan Area.



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of Hunan, for Nanchang to confer with the Generalissimo, Chiang Kai-shek, the Reds under Red Commander Kung Ho-chung ordered an attack on the Hankow-Changsha Railway. On October 27, 1 a.m. at Changanling station, between Puchi and Yanglossu, the Reds opened fire on the station and on the passing Wuchang-bound train, which did not stop as usual. One passenger was killed and several others suffered minor injuries. After completely looting the station and houses in the village, the Reds retired. Trains passing through this district since this incident, have stopped at the borderline between Hunan and Hupeh for eight hours, that is, until daylight. However, nothing more has been reported from this area and the Reds are said to have returned to Tsungyanghsien, the headquarters for the numerous Red bands in this area.

From Macheng, northeastern Hupeh, it is reported that the Reds to the east of that city are contemplating joining forces with Kung Ho-chung. The Reds are on the move everywhere, and rather than meet defeat at the hands of General Liu Chen-hua, Hupeh-Honan-Anhui Border Bandit Suppression Commander, who has been hot on their trail for months, this group under Wu Hunan-hsien may desire closer cooperation with some of their comrades to the south.

The picture we have drawn is dark, but facts are facts. If the generals under General Chiang Kai-shek would bury their secret grudges and join forces in one united and simultaneous drive on all the Red strongholds, victory would be attainable, and easily. But the rule applies here as in other lands, that unless they hang together, they will hang separately. In the meantime the weeds are growing rank in the rice fields, homes lie in ruins, bleak and forlorn, village upon village totally depopulated, here and there a family huddled together in a shack, facing the winter's cold and gradual starvation, unless help come from outside, that is the average condition of former Red-infested areas. For a fish the Reds have given the common people a scorpion, and that one with a deadly sting. And still we have rainbow-chasers in Kiangsi and Szechuen.

The seven Red areas in China and their relative military strength may be estimated somethin like this.

(I.) Kiangsi-Fukien Area.
Extent: Ca. 30 hsien, or counties.
Capital: Juichin, Kiangsi.
Civilian chairman: Mao Tse-tung.
Military commander: Chu Teh.
Armies: Possibly 150,000 troops. Engaging the attention of Gen. Chiang Kai-shek.

(II.) Kiangsi-Hunan Area.
Extent: A few counties.
Leading town: Yunghsin, Kiangsi.
Military commander: Li Tien-chu.
Army: ca. 5000. Recently causing Gen. Ho Chien trouble.

(III.) Kiangsi-Hunan-Hupeh Area.
Extent: A few counties.
Leading town: Wantsai.
Military commander: Kung Ho-chung.
Army ca. 15,000. Recently active 30 miles west of Kiukiang.

(IV.) Hupeh-Honan-Anhwei Area.
Extent: A few counties.
Location: Near Kwangchow, Honan.
Military commander: Wu Huan-hsien.
Army: 4000 or less, recently routed by Gen. Liu Chen-hua.

(V.) Hunan-Hupeh-Szechuan Area.
Extent: This group roams back and forth over a long and somewhat narrow belt, without seemingly effecting any lasting Soviet government, and as a consequence the area is very fluctuating.
Location: Southwest of Shihnan, Hupeh.
Military commander: Ho Lung.
Political leader: Hsia Hsi.
Army: ca. 8000.

(VI.) Szechuan-Shensi Area.
Extent: ca. 13 counties in Szechuen and a few in Shensi, too.
Civilian chairman: Chang Kuo-shou.
Military commander: Hsu Hsiang-chien.
Four armies: ca. 50,000 troops.

(VII.) Szechuen Area.
Extent: Three counties in southwestern part, Mapien, Opien, and Leipo.
Newly organized.
Army: ca. 2000.

Hankow, October 28, 1933.

Another Push Against Reds in Southern Kiangsi

The Government forces, after several light skirmishes, were engaged end of last week in a severe struggle with the Reds in the Lichuen-Nanfeng-Kwangchang sector on the east border and in the Juiking-Huichang sector on the south border. General Chiang Kai-shek is reported to have radioed Generals Chen Chi-tang, the Cantonese Commander-in-chief, and General Chiang Kwang-nai, commander of the famous Nineteenth Route Army, advising them to start another push into south Kiangsi in view of the success of the Goverment troops in the northern part of the province.

According to reports made by the aviation squadrons which recently made reconnoiting flights over Northwestern Fukien, a large number of Communists are concentrating at Taining and Chienning. General Chen Chi-tang has ordered the Cantonese troops now in Fukien to make a rapid advance on North-western Fukien in an attempt to stamp out the Communist menace in that province.

A recent Nanchang message stated that General Chiang Kai-shek has decided to adopt a slow-going policy against the Communists and has instructed his troops not to make any advance until they are sure they can hold their present line if attacked by the Communists.

Reds Menace Kiangsi-Chekiang Border

Kaihua, on the Kiangsi-Chekiang border, is menaced by Communists. On October 20 the suburbs of Kaihua were raided by a band of about a thousand Reds. The militia put up a stiff resistance and successfully held back the Reds until the arrival of reinforcements. Towards the morning of Oct. 21 the Communists were completely beaten back.

The Chekiang Provincial Government is in receipt of a telegram from the district government of Changshan, western Chekiang, reporting that 2,000 "Red" bandits recently attacked Chilikai, a suburb of Changshan, but were repulsed by the 3rd regiment of the peace preservation units under Colonel Chiang Chih-ying.

The government and party authorities at Nanchang (the provincial capital of Kiangsi) have inaugurated movements against opium smoking and foot-binding. Despite the efforts of the government in suppressing opium using and the public criticism strongly opposing foot-binding, these two evils were reported to have been still gaining strength in the interior during these years. So the government, as part of its rehabilitation program, has taken steps to do away with these two evils by staging a province-wide movement to educate the people. Besides publicity campaigns, instructions have been issued to all magistrates to exercise strict measures in prohibiting the use of opium and the custom of foot-binding, and all such cases should be immediately dealt with according to law.

Hunan Immigration Scheme a Failure

General Liu Cheng-hua, Commander of Bandit Suppression on the Honan-Anhuei-Hupeh border, has decided to organize a special armed unit for the protection of farmers who move into the ex-bandit area on the border districts. The unit will resemble a regular militia corps and will be recruited from the farmer class. The Hupeh authorities have, however, found it extremely difficult to send farmers into the ex-bandit area on the Hupeh-Anhuei-Honan border on account of the continued disturbances there. So far the immigration scheme sponsored by the Hupeh Provincial Government has resulted in a complete failure. Many of those who had previously moved in, have either been robbed or kidnapped by the remnants of the Communist-bandit forces who are still hiding in the mountains.

Wanshien Quiet, But Communists Threaten

The Communists have captured Suiting from General Liu Chun-hou's forces, which have retired to Kianglin, a point about fifteen miles from Suiting. Considerable fighting preceded the fall of Suiting as a result of which the defenders were routed by the Communists.

Following the fall of Suiting and Hsuanhan, the Szechuen Communists captured Chenkou and Wanyuan without encountering much resistance.

According to foreign advices, troops belonging to the Szechuen provincial government later retook Suiting, thus averting the threat to Wanhsien. Several other places are reported to have been recovered from the Communists by government troops.

Although reports from the Upper Yangtze state that Wanhsien is quiet, the Communists a still threaten the city. The situation has eased up sufficiently for several foreign gunboats anchored at Hankow to go upstream to Wanhsien.

Reports from Szechuen state that the provincial forces under Generals Wang Lin-chi and Fan Shao-tseng launched a determined offensive Oct. 29 to drive the communists west of the Chukiang River.

The Kweichow authorities are sending a large number of recruits to Canton to receive military training, according to an announcement made by the resident representative in Canton of the Kweichow provincial government.

Canton Imposes Death Sentence for Accepting Bribes

Death sentence was passed at Canton, Oct. 26 on Chen Chi-hsu, former magistrate of Lienshan county, for accepting bribes and neglect of duty. Chen Chieh-ping, chief of police of the same county, was also found guilty of accepting bribes and was also sentenced to death. Chen Chung-keen, superintendent of the second police station at Lienshan, was convicted of corruption and was sentenced to imprisonment for 12 years and three months.

The All-Kwangtung Administrative Conference, in session at Canton, last week adopted a resolution submitted jointly by Tong Shao-yi, magistrate of the Chungshan District, and Lu Yu-kang, director of the Canton Educational Bureau, recommending the establishment of an Academia Sinica for Kwangtung with a view to encouraging scientific discoveries and literary achievements. The Conference decided also to remove the transit duty imposed on goods shipped from one interior city to another. The resolution has been referred to the Kwangtung provincial government for execution. The Conference adopted, in principle, a proposal submitted by Liu Ping-kang, director of the Canton Finance Bureau, for the adoption of the "Big Dollar" (National Dollar) system throughout Kwangtung province to replace the present currency system based on subsidiary coins.

Canton to Use Submarines in Coast Defense

Canton will shortly have a fleet of the most up-to-date submarines for coastal defense, according to the Chinese papers at Canton, which state that the Cantonese Navy has ordered several submersible craft from abroad and that these are expected to arrive before the end of the year. Under the three-year plan for the reconstruction of Kwangtung, provision is made for the expansion of the Cantonese fleet, the program including the purchase of a number of new warships from abroad.

The Arthur G. McKee Engineering Company, Cleveland, Ohio, is completing designs and specifications for a complete blast furnace and steel mill, costing between $5,000,000 and $10,000,000, to be erected for the Canton Government in the province of Kwangtung, South China. Chee Kin-ho, chief enginner of the mining division of the Kwangtung Reconstruction Department, is in the U. S. A. in connection with the object.

Out of the 250 silk filatures which existed in Canton over ten years ago, only 48 are still operating, a recent survey revealed.

George Holden Tinkham, member of the Foreign Relations Committee of the U. S. House of Representatives, paid a visit to Canton Oct. 25 and then proceeded to Saigon. Mr. Tinkham in an interview said he thought highly of the alertness of the Chinese leaders and their efforts to bring about improved conditions.

Kan Chieh-hou, former Vice-Minister for Foreign Affairs and now Inspector of Foreign Affairs in the Southwestern provinces, arrived in Hongkong Oct. 24 to urge Eugene Chen to return to Canton, but the latter definitely declined.

Kwangtung Official Loses Job Because of Marriage to Kinswoman

An official of Lamtong, a village in the Tseching district, Kwangtung, has been relieved of his public office and is being completely ostracised because he married a kinswoman bearing the same patronymic. The incident has revived the old controversy as to whether marriage between kinsfolk should still be considered a social offence subject to moral censure and punishment.

National Military Council to Control Aviation Bureau

The question of whether the Bureau of Aviation belongs to the Ministry of War or the National Military Council was discussed by the Central Political Council at Nanking, Oct. 25. It was later decided that the National Aviation Bureau should be placed under the direct control of the National Military Council instead of the War Ministry.

With the funds contributed by the staff members of the Peiping-Hankow, Shanghai-Nanking and Shanghai-Hangchow Railways, the China Aviation League has purchased five additional pursuit planes as a contribution from the workers to the Government. Three of the planes have been purchased by the Peiping-Hankow Railway while the other three belong to the Shanghai-Nanking and Shanghai-Hangchow railways and the Whampoa Cadets, respectively. These planes are now being assembled at Hangchow and will be formally christened some time in November.

Aviation Tax Yields $750,000

The National Aviation Society announced Oct. 27 that so far, the receipts derived from the aviation tax on the salaries of civil servants had totalled $750,000. The receipts are expected to reach a much higher amount, as many local governments have not yet remitted amonnts collected.

Largest Hangar in Orient to Be Erected At Tachikawa Field

Construction of what is described as the largest airplane hangar in the Orient is to start within a few days at the Tachikawa military aviation field near Tokyo. The hangar itself will cover an acre and-a-half, and it will be surrounded by 20 accessory buildings, the entire group covering more than two and one-half acres. The cost will be about Yen 900,000. When the new hangar is completed the Tachikawa field will be devoted to purely military aviation purposes used by the aeronautic technical division and the 5th regiment of the flying corps.

Japanese Rice Agitation Leads to Renewal of Boycott

One of the results of the incident regarding the import of Japanese rice has been a renewal of Anti-Japanese boycott agitation. Groups of inspectors are being sent about Shanghai to inspect all Chinese shops for "enemy" goods. It is threatened that Japanese goods found in shops will be seized; each case will be referred to the "Federation" for disposal.

The eight Chinese rice dealers who jointly purchased 25,000 piculs of Japanese rice have succeeded in cancelling their contract with the exporters by agreeing to pay $10,000 to cover damages sustained by the latter.

A second shipment of twenty thousand piculs of Japanese rice is now on its way to Shanghai, according to information from business circles. It is said that, in view of the strong opposition against the importation of Japanese rice into Shanghai, this shipment may be sent to Foochow.

The Executive Yuan has issued an order to the provinces instructing that Government rice transportation organs be established in all provinces, and also that storehouses be established for the storage of rice as a precaution against emergencies.

The Wuhu Chamber of Commerce has issued a circular order to all local rice merchants prohibiting them from selling Japanese rice.

A shipment of several hundred tons of "dumped" matches in the Shanghai market during the week has evoked a protest from Chinese match merchants.

Disarmament Conference Bureau Adjourns Until Nov. 9

The meeting of the Bureau of the Disarmament Conference Oct. 26 decided to adjourn until November 9, in order to enable the delegates to consult with their governments.

The General Commission of the Disarmament Conference decided Oct. 26 to adjourn until December 4. When the Bureau of the Disarmament Conference met at Geneva Oct. 25, Mr. Sato, the chief Japanese delegate, stated that as the current discussions were primarily of

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European interest, Japan wished to abstain from taking an active part.

Dr. Wellington Koo, Quo Tai-chi and Admiral Chen Chek departed from Geneva for Paris Oct. 28.

Commenting on speculations in Tokyo regarding the possibility of German-Japanese collaboration as a result of Germany's withdrawal from the League of Nations, the *Sin Wen Pao* observes that this possibility is but a one-sided longing on the part of Japan. The circumstances under which Germany and Japan withdrew from the League are vastly different; in the case of Japan, the withdrawal was made because of international disapproval of her aggressions against China. But the German withdrawal was made largely because of her demand for national equality in the family of nations. which has called forth sympathy from many quarters. Great Britain and France moreover have not yet closed the door to further negotiations with Germany.

Recalling the British attitude towards the Sino-Japanese controversy immediately following the outbreak of the Shenyang (Mukden) Incident, as evidenced by the declarations of the British Chief Delegate (Sir John Simon) at the sessions of the League Assembly, the *Chung Hua Jih Pao* observes that Britain's apparent bias against China in favor of Japan was largely due to the misconception that Japan's aggressions against China would be confined merely to the North-east. Now that Japan has extended the sphere of her aggressive activities, Great Britain is therefore forced to follow in the steps of the United States and participate in the ship-building race. Superficially, it might be thought the Britain's decision to strengthen her naval force, is due to her desire to compete with the United States for the hegemony of the Atlantic. In point of fact, however, the journal remarks, it is entirely due to her realization of the increasing gravity of the situation in the Pacific. Moreover, lately Britain's markets in India and her other colonies have been taken from her by the Japanese. In case of necessity, the journal further observes, Britain would have to depend entirely on her navy.

It was officially announced in Tokyo, Oct. 30 that the newly built submarine depotship *Okujira* (7,500 tons) will be launched at the naval yard at Yosuka on November 16.

***

Tariff Truce Denounced by French Government

The new French Cabinet formed by M. Albert Sarraut is decidedly radical. The tariff truce to which the Powers had agreed to facilitate the World Conference negotiations, was denounced Oct 26 by the French government which informed the League Secretary that France, for constitutional purposes, was obliged to reserve her Parliamentary right to take the initiative in tariff matters and to protect the country's vital interests.

President Roosevelt Authorizes Purchases of Gold Abroad

President Roosevelt Oct. 29 authorised the purchase of gold abroad as part of an evident plan gradually to cut the value of the gold dollar by half. France and England view the move with anxiety; France may be forced off the gold standard. Silver supporters in Congress have announced that they will meet in mid-November to rehabilitate the metal, unless President Roosevelt moves to stabilize silver in the meantime. As a result, the Chinese dollar rate on the U.S.A. has dropped to 3.20.

Half a billion dollars has been made available by the Reconstruction Finance Corporation for the purpose of financing the dollar control policy. The money will be in the form of R.F.C. notes, which will be used for purchasing newly-mined American gold.

Negotiations between the U.S.A. and Britain regarding the war debt payments await the conference between President Roosevelt and the Soviet representative, M. Litvinoff.

The U.S. War Department announced Oct. 26 that it was purchasing motor supplies to a value of $10,000,000, and aircraft valued at $15,000.000.

Former President of Chase Bank Gives Up Annual Life Pension, Following Criticism

The Senate committee investigating banking and stock market activities of many firms concluded its inquiry Oct. 26 into the loans made by Albert H. Wiggin as head of the Chase National Bank to Cuba. Allegations of enormous graft and waste on the part of Cuban officials were made, including the unnecessary spending of G.$13,000,000 on the Capitol at Havana and G.$40,000,000 on the Havana waterworks. It was also revealed that ex-President Machado had threatened a full default unless a further sum of G.$4,000,000 was advanced by the Chase Bank.

Winthrop Aldrich, chairman of the board of directors of the Chase National Bank and son-in-law of John D. Rockefeller, Jr., in testimony Oct. 27 repudiated the bank's policies prior to the time he succeeded Albert H. Wiggin, promising that the Chase bank hereafter will not speculate in its own stock.

Albert Wiggin, former president of the Chase Bank, has voluntarily surrendered his contract with the Chase Bank, under which he received a life pension of $100,000 annually. In communicating his decision to the Senate Banking Investigation committee Mr. Wiggin declared that as the contract had been criticized, he desired to terminate it.

Cuban Strike Movement Fails

The National Federation of Labor has decreed a general strike throughout Cuba as a protest against the alleged slaying of 10 laborers by Federal soldiers. The Cabinet handed in their joint resignations to the President end of last week, but Dr. San Martin decided to hold the matter in abeyance pending a new attempt at reconciling warring factions by offering a semi-parliamentary government. A Havana telegram Oct. 30 stated that the strike had failed.

Factory Inspection Plan Proposed by Chinese Newspaper

In a recent editorial the Shanghai Chinese newspaper *Morning Post* suggested that one of the two following proposals be adopted in regards to the supervision of factories in the International Settlement:—That the labor law of China should be respected by the Settlement authorities, who should employ inspectors appointed and trained by the Chinese Government, taking orders from the Municipal authorities, but subject to the supervision of the Chinese Government, and that the factory inspectors of the Settlement, French Concession, and Chinese City meet once a month to exchange views in order to promote co-operation; alternatively, that as a temporary measure factories owned by foreigners should be subjected to the control of the S.M.C., but Chinese factories in the Settlement should be placed under the control of the Chinese authorities, inspection of both foreign and Chinese factories to be carried out according to the Chinese labor law, and two copies of the inspectors' reports prepared, one for the reference of the S.M.C., the other for the Chinese authorities, with foreign factories outside the Settlement to be controlled by the Chinese authorities.

The Shanghai *Morning Post* also commented:—"Inspection of factories is similar in nature to the inspection of educational institutions. Since all schools in the Shanghai foreign settlement are subjected to the control and inspection of Chinese educational authorities there is no reason why factories should not be subjected to the control of their proper authorities. The Municipal authorities have never attempted to interfere with the inspection right of Chinese educational authorities in schools in the Settlement for which they have won much admiration from the Chinese people, but it is rather unusual that they should object to Chinese authorities exercising rights over factories in the Settlement."

Pao Kuo-hua, delegate sent from Nanking by the Ministry of Industry, is quoted by the Japanese press as stating that it was still impossible to find any basis for compromise on the control of the proposed factory inspectorate.

British Newspaperman to Be Tried for Treason in Germany

Noel Painter, the British correspondent at Munich for the London *Daily Telegraph*, was arrested Oct. 24, presumably because he incurred official displeasure in connection with his recent account of the meeting addressed by Chancellor Hitler at Kelheim. He is to by tried at Liepzig for espionage and treason, the latter being punishable by death. The British Government has announced that it will not put up with any "fantastic" trial.

The well-known German journalist, Josef Ackerman, was arrested in Munich Oct. 27. It is believed that the police suspect him of having supplied information to Noel Painter, correspondent of the London *Daily Telegraph*, who was arrested several days previously.

Germany has placed a one-month ban on the London *Evening Standard* owing to the cartoonist Low depicting

Chancellor Hitler standing near a bonfire outside the League of Nations building and saying: "It worked at the Reichstag, why not here?"

A huge scheme aiming at the rationalization of German steel and coal interests is under consideration by the four greatest concerns in Germany.

Indo-Japanese Cotton Negotiations at a Deadlock

Owing to the fact that the seat of the Indian Government has been removed from Simla to New Dehli, upon the closing of the summer season, the Indo-Japanese trade negotiations are now being conducted in New Dehli.

The cotton negotiations at New Delhi have reached a deadlock. The Indian delegation tried to induce the Japanese to agree to a quota of 380,000,000 sq. yd. annually of Japanese cotton tissues to be imported into India. The Japanese insist on at least 500,000,000 sq. yd. This stand is taken on the insistence of the Japanese Cotton Spinners Association. The Indian proposal to the effect that Japan shall purchase 1,250,000 bales of Indian raw cotton annually is also not agreeable to the Japanese, who consider the value of this quantity of raw cotton to be equivalent to the value of 1,200,000,000 sq. yd. of cotton tissue.

The Lancashire cotton delegation left for England Oct. 29. Before embarking they concluded an agreement with the owners of a number of Bombay mills whereby the latter will support Lancashire's claims for a period of two years.

Representatives of Lancashire business houses in Jamaica have urgently petitioned the Colonial Secretary for drastic action to check the influx of Japanese exports to their market.

Japanese Woolen Industry Makes Big Strides

With the advent of woolen yarn weaving departments in many of the leading cotton mills, Japan's woolen industry is assuming mass production proportions. Japan has long been an importing country of woolen fabrics from British factories, while the Japanese manufacture is now becoming an important item of her exports, closely following her cotton manufactures and rayon fabrics.

During the period of eight months, since the beginning of this year, Yen 7,475,000 worth of woolen fabrics were exported from Japan—which was seven times as much as was exported in the corresponding period last year.

⁂

Japanese Cotton Mill Owners Stand Firm on Indian Negotiations

A special joint meeting of the Japanese Cotton Mill Owners' Association and the Cotton Goods Exporters' Association was held in Osaka, Oct. 24 to hear a report from Mr. Abe, the chairman, on the Indo-Japanese trade parley negotiations. Mr. Abe reported that the Japanese businessmen's delegates at Delhi had been instructed not to touch on the question of Japanese purchase of Indian cotton until satisfaction is obtained on the question of the Indian tariff.

⁂

Japanese Now Competing With Lancashire in Fine Yarns

Manchester and Egyptian yarn-spinners are perturbed over reports that Japanese fine yarns are appearing in the Continental markets at prices between 30 and 40 per cent. below the cost of similar yarns produced in Lancashire. The quality and strength of the Japanese yarns is reported to be inferior to that of the Lancashire product, but they represent an improvement over previous Japanese production. The Japanese advance in this direction has been very rapid and the Japanese will soon be as serious competitors with Egyptian yarns in the world market as they are at present in American yarns.

Japanese cotton cloth exports during September totalled 176,285,000 square yards, Yen 33,740,000 in value, according to the returns published by the Cotton Textile Exporters' Association. As compared with the actual quantity exported during August, this shows a decrease of 14,764,000 square yards, the decline of the value being as small as Yen 535,000. Trade with such countries as British India, the Dutch East Indies, Egypt, Australia, the Balkan States and South America has recorded a decline. Japan's export of cotton goods to British India is five times as great as that to Manchukuo.

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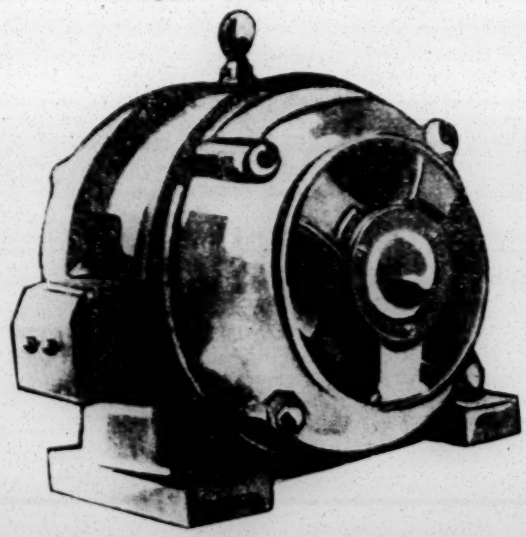

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SHANGHAI CHINA

General Huang Shao-hsiung Arrives at Kueihua on Way to Mongolia

GEN. Huang Shao-hsiung and Chao Pei-lien, respectively Minister of Interior and vice-Chairman of the Mongolian and Tibetan Affairs Committee, who had been appointed Government's Pacification Commisioners to Inner Mongolia in connection with the Mongolian automonous movement, arrived at Kueihua, Capital of Suiyuan, Oct. 29. He is conferring with Gen. Fu Tso-yi, Chairman of Suiyuan, on the Mongolian situation and is expected to proceed immediately to Pailingmiao where the leading Mongolian princes and dukes are asembling to wait on him. Gen. Huang at first intends to stop *en route* at Tatung to see Gen. Yen Hsi-shan, Director of Taiyuan Pacification Headquarters, but as Gen. Yen is not coming to Tatung he is reported to have decided to proceed direct to Mongolia.

A serious question has arisen over the claims of the new Mongolian Antonomy Government on the area of the Suiyuan province. According to plans mapped out by Prince Teh, seven-tenths of the Suiyuan provincial territory are to be included in the new Mongolian regime, while the Central Government only permits self-rule in the Mongolian Leagues and Banners. Gen. Huang and Gen. Fu Tso-yi are discussing the matter and pending a successful outcome of his talk with the Mongolian leaders, Gen. Huang will remain in Kueihua before proceeding to Pailingmiao.

General Huang left Peiping for Kalgan on October 27 by a special train and arrived there in the morning of Oct. 28. General Huang was accompanied by Chao Pei-lien, assistant Pacification Commissioner (vice-Chairman of Mongolian and Tibetan Affairs Committee), Wu Hao-lin, Director of the office of Mongolian Leagues and Banners at Nanking and a personal representative of Prince Teh, leader of the Mongolian autonomy agitation.

Prior to General Huang's departure, he received a telegram of welcome from Prince Teh and was also called upon by a deputation of Mongolian princes at Peiping. The deputation was received by General Huang in person. Extending a cordial welcome to General Huang, the deputation declared that the Mongolian autonomy movement was in consonance with the teachings of the late Party Leader (Dr. Sun Yat-sen). Notwithstanding the wild rumors to the contrary, it had no political background whatsoever. In reply, General Huang said that he is fully abiding by the instructions of the Central Government in dealing with the autonomous movement in Inner Mongolia. The Mongols, in demanding the right of self-government, should aspire to achieve practical results.

He further stated he would confer with the Mongolian leaders in an effort to devise appropriate measures and take steps to hasten the institution of self-government in Inner Mongolia by improving the political and economic conditions among the Mongolian people so as to enable them to participate as good citizens of the Chinese Republic and to establish close contact between the Central Government and the Mongolians. Minister Huang, according to a *Reuter's* report on October 25, declared that since the foundation of the Republic, the Government had followed a *laissez-faire policy* as regards Mongolia, but it had now decided to introduce reforms thereby bringing Mongolia with China Proper in more close relationships. He announced that in his presnt visit to Inner Mongolia, he would not only gather first hand information regarding the question of the autonomy movement, but will also study the political and economic conditions among the various Mongolian Leagues and Banners.

Supplementing General Huang's views on the Mongolian situation, Wu Hao-lin, who is accompanying General Huang to Mongolia, in an interview on October 25, announced that the Central Government had recently adopted seven principles in rgard to the Mongolian question. These principles, he said, called for co-operation between the Mongolian Leagues and Banners, and the Central Government; enforcement of local autonomy under the direction of the Central Government; co-operation between the Mongolian banners and Leagues, and the various provincial and district authorities; and co-operation between the Mongolian princes and the people in general.

Interviewed on Oct. 28 on the Japanese attitude towards the present Mongolian autonomy movement, Ariyoshi, Japanese Minister to China, who is at Peiping conferring with Chinese leaders on the Sino-Japanese issues declared that Japan was not interested in the Movement, but he thought that Henry Pu Yi (the puppet head of "Manchukuo") might exercise some influence among the Mongols, who were particularly worried by the possibility of Russian encroachment from the North and Chinese encourachment from the South-east. Asked whether if the Movement succeeded, Japan was likely to take it sufficiently serious to move troops in Jehol to the Northwest border, he thought that Japan would not do so.

In order to administer the affairs of the border provinces, the government has decided to establish a Ministry of Border Affairs to be placed under the direct jurisdiction of the Executive Yuan. General Huang Shao-hsiung will probably be made Minister with Pai Yun-ti and Chao Pei-lien as Vice-Ministers. A Mongolian Political Affairs Committee will be also organized to attend to local affairs. Two prominent Mongols, possessing political experience, will be made Chairman and Vice-Chairman. All military and diplomatic affairs would of course be dealt with by the Central Government; local affairs will be in charge of the Committee, which will be directed and supervised by the Ministry of Border Affairs. In view of the impending abolition of the Mongolian and Tibetan Affairs Commission, Shih Ching-yang, Chairman of the Commission, has submitted his resignation to the Government.

According to information from Mongolian sources in Peiping on October 25, the Autonomous Government for Inner Mongolia was formally instituted on October 15 followinng a conference of Mongolian princes at Pailingmiao in Suiyuan, at which the regulations governing the organization of the Government were adopted. They consist of 36 articles and provide that except diplomatic and military affairs, which are to be handled by the Central Government at Nanking, all other administrative matters in Inner Mongolia will be placed under the control of the Autonomous Government. The Government is organised according to the committee system. The executive committee of the Government is to consist of twelve to fifteen members elected from among the Mongolian princes and shall have a chairman and two vice-chairmen. Prince Yun of Northern Suiyuan and Prince Teh of Northern Chahar have been respectively elected Chairman and vice-chairman of the Committe. Under the Committee, there are three departments; the Political Department, Legislative Department and the Advisory Department.

A Reuter's message from Peiping, Oct. 29, quoting reports from Chinese sources, stated that the 170 Mongolian princes assembled at Pailingmiao, the famous Lama temple north of Kueihua, have already formed an autonomous government for Inner Mongolia. At a conference there, they have adopted the organic law of the new Government and decided to establish government buildings, consisting of 100 courts at Tienchih (the Pool of Heaven), a spot 160 miles north of Kueihua. The resolution passed provides for a budget of $320,000 and no government official will receive salary. Instead, he and his family will be provided with sheep. Prince Yun Twan Wangchsk heads the new government with Prince Teh as head of the admlnistrative council.

A spokesman of the Mongolian princes at Peiping declared on October 25 that that the purpose of the Mongolian autonomy movement is solely for self-defense and that autonomous rule is being demanded and supported by the Mongolian people. He denied that the Mongolian princes have any intention to sever relations with China, declaring that if they had that object in view, they could have declared independence without asking the Central Government. He also denied that the movement is being supported by the Japanese.

In a determined attempt to realize his Mongolian autonomous government, a report from Nanking on October 24 stated that Prince Teh has begun military preparations to back up his activities. At present, Prince Teh has 6,000 men under his command and is intending to recruit 14,000 additional cavalrymen. It is learned that he has secretly taken in a number of Japanese military officers to train his Mongolian troops.

To train officers for frontier service, the Army General Staff Department has decided to open three classes

for the training of the Mongolian, Tibetan and Mohammedan languages to staff members who will assigned upon completion of the course to frontier regions for duty. Each class will have from 30 to 50 students.

The Mongolian Association in Peiping has sent a telegram to the Government, announcing their opposition to the Government's intention to send Chang Chia, the "Living Budhhda" of Kokonor (Chinghai) to join General Huang Shao-hsiung's mission to Mongolia. The telegram stated that the "Living Budhhda" is being disliked by the Mongolians and his presence in Mongolia will further complicate the situation. Further, the telegram added that the duty of a lama is religious; he should not interfere in politics.

Urging a proper racial minority policy in connection with the presnt Mongolian Autonomy Movement, the *Peiping World Daily News* Oct 27 commented as follows:

"The Mongolian autonomy movement is not an accident but the inevitable outcome of affairs in a country like China, where there are so many racial minorities, and where the Central Government is unable to exert effective authority owing to foreign agression. If the National Government is unable to deal with foreign aggression successfully, and if it fails to take steps to formulate a proper policy towards racial minorities, there will be further troubles in the future even if the present agitation in Inner Mongolia could be temporarily settled. Besides the Mongolians, there are other racial minorities in China like the Manchus, Tibetans and Mohammedans. There is no guarantee that these three races will not follow in the footsteps of the Mongolians if the latter's aspirations are met. Indeed, the Manchus have already played into the hands of the Japanese Imperialists and established the so-called Manchukuo. The problem of the Government is therefore not to find a solution to the Mongolian autonomy agitation but to deal with the whole question of racial minorities in China.

"China herself is an object of imperialist aggression and exploitation. In other words, the whole Chinese people are an oppressed race. The five races who make up the Chinese republic should unite together and present a common front at this time of grave national danger as they cannot afford to engage in internecine warfare. If the Manchus, Mongolians, Tibetans and Mohammedans regard China as the concern of the Chines people only, they are greatly mistaken. On the other hand, if the Chinese consider themselves as the masters of the country and look down upon the Manchus, Mongolians, Tibetans and Mohammodans as subject races to be exploited, enslaved and oppressed as the Imperialist Powers do with regard to their colonies, they are equally mistaken."

Finally, the paper recommended that the Government should not only address itself to the task of introducing political reforms among the racial minorities, but also adopt a new policy towards them. Among other things, this policy should take into consideration the welfare of all the races living under the Chinese flag and give full scope to them for the development of self-government

Kiangsu Hopes to Reclaim Waste Lands

Plans have been drawn up for the reclamation of waste lands in Northern Kiangsu. The proposals have already been submitted to the National Economic Commission for consideration and decision. The reclamation work will furnish employment to 500,000 families who have been impoverished by the Red operations in the interior.

Negotiations are going on between the Finance Department of the Provincial Government and a group of Chinese banks for an advance of $2,000,000 to finance rural rehabilitation. The loan will be secured on the land tax, which has not yet been collected by the Provincial Government.

British-American Tobacco Co. to Establish Factory in Manchukuo

A recent Tokyo message stated that an official permission of Manchukuo had recently been given to Archibald Rose, a representative of the British-American Tobacco Co., Ltd., to establish a factory for the Company at Liaoyang.

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T. V. Soong Resigns---Dr. H. H. Kung Becomes Finance Minister

T. V. Soong, Minister of Finance, Oct. 28 issued a statement through his councillor that he had submitted his resignation to the Nanking Government "several days previously."

The Central Political Council held a special meeting at Nanking Oct 29, and accepted the resignation of T. V. Soong from the post of Minister of Finance and also from the concurrent position of Vice-Chairman of the Executive Yuan. Dr. H. H. Kung, Governor of the Central Bank of China, was appointed Mr. Soong's successor to both posts. It is understood that M. Soong will retain his position as a member of the standing committee of the National Economic Commission.

Following acceptance of Mr. Soong's resignation the C.P.C. despatched a telegram to Mr. Soong hoping that in view of the recent reorganization of the National Economic Council and the multitudinous and heavy duties in connection therewith, Mr. Soong would continue to serve on the Standing Committee (of the N.E.C.) in spite of the difficulties involved.

Upon confirmation of reports concerning Mr. Soong's resignation, various public bodies of Shanghai despatched urgent telegrams to the Central Authorities urging that Mr. Soong's resignation be rejected. These public bodies included the Shanghai City Chamber of Commerce, the Shanghai Bankers' Associaton, the Shanghai Native Bankers' Guild, the Shanghai Shipping Guild, the Shanghai Labor Union, the Chinese Ratepayers' Association of the Shanghai International Settlement, the Chinese Ratepayers Association of the Shanghai, French Concession, the Shanghai Citizens' Federation and the Chung Hua Native Manufacturers' Association.

Dr. H. H. Kung, newly appointed Minister of Finance, conferred with General Chiang Kai-shek, President of the Military Affairs Commission, Oct. 29, concerning financial matters in the future. Dr Kung subsequently conferred with President Wang Ching-wei for two hours.

Due to pressure of duties in Kiangsi, General Chiang Kai-shek returned to Nanchang on his private airplane Oct. 29, after attending the extraordinary meeting of the Central Political Council in the morning which dealt with the resignation of T. V. Soong.

Interviewed regarding the resignation of T. V. Soong. President Wang Ching-wei paid a high tribute to Mr. Soong for his indefatigable efforts in overcoming the financial difficulties of the Government during the present national crisis, as well as for the results achieved during his trip to the United States and Europe during the summer.

Japanese Comment

A Manchukuo Government spokesmen in an interview said that the extreme difficulty of providing military expenses for the subjugation of the communists and the public criticism on the flotation of the American Cotton and Wheat Loan may have been the motives for Mr. Soong's resignation. The spokesman opined that, in one way, it may be observed that his resignation will mark a step forward for the downfall of the European and American clique in the Chinese Government officials, but that the fact that Dr. H. H. Kung, a brother-in-law of T. V. Soong, is taking up the portfolio would indicate no sudden change of government policies. Comment by a Japanese Foreign office spokesman was to the same general effect as the foregoing.

Marconi Coming to Japan—Wireless Phone to Europe in Sight

Signor Marconi, the famous Italian inventor of the Marconi system of wireless telegraph, was due to leave San Francisco in the Nov. 2 on a visit to Japan.

The Japanese communications authorities are conducting further experiments in wireless telephony with several European cities with a view to launching an international wireless phone service from April next year.

The Japanese Foreign Office announced Oct. 28 that the report emanating from the *Central News Agency* (Nanking) to the effect that the Nanking Government had abrogated the radio contract with the Mitsui concern, a Japanese firm, and the Federal Radio Company of the United States, is entirely unfounded.

The new long distance telephone line between Shanghai and Nanking, now under construction, is expected to be ready for service next January.

Who's Who in China

George Kin Leung, critic of the Chinese theatre and short story writer; native of Hsin Hui District, Kwangtung; born in Atlantic City, New Jersey, U.S.A., July 17, 1899; was graduated from the Atlantic City High School in June 1918; studied the work of leading singers, actors, musicians, lecturers and artists in New York City; and read, in original, the Greek and Latin drama; on his return to China, he has resided in Peiping, Shanghai, Canton, and Hangchow; translated two novelettes from the Chinese into English: *The Lone Swan* and *The True Story of Ah Q.* (published by the Commercial Press, Shanghai); since 1926, he has devoted himself to the Chinese theatre, specializing in the living classic drama of Peking, although he has written on various phases such as Cantonese plays, the modern spoken drama, the Chinese talking picture, amusements of the poor, life in Peking, etc; the two books: *Mei Lan-fang* and *Repertoire for the American Tour of Mei Lan-fang*, which were instrumental in introducing the art of the actor to the American public on his recent tour and which aroused a wide interest in the Chinese theatre, were prepared by him in 1929; his third book *The Chinese Theatre To-day* is soon to be published by the French Book Store of Peiping; has contributed articles to *The North-China Daily News* and *The China Journal* (Shanghai), *Pacific Affairs* and *Asia Magazine* (America), *The Chinese Actress* (published in the latter) being quoted by *The Illustrated London News*, *The Literary Digest*, and translated into Malay in *The Hoakiao*; recently *The Times* (London) has put out his comments on the theatre and Peiping life; has delivered numerous lectures on the Chinese theatre in Peiping, Tientsin, Shanghai, Hangchow, and Soochow; apart from an unusually complete library on current plays, also scrolls, photographs, rare books, face paintings, newspaper cuttings of the stage, he possesses notes on more than three hundred plays that are covered scene by scene; knows all the leading actors, musicians, playwrights; at present, he is compiling hitherto unpublished data about the late Empress Dowager, Tzu Hsi, which after being organized, will be a series of articles to be later used as the basis of a book or a play; address: 9 Hung T'ung Kuan, East City, Peiping.

梁社乾

George Kin Leung (Liang Shi-chien)

梁社乾，中國戲曲之批評家及短篇小說之作家，原籍廣東新會，一八九九年生於美國之阿特蘭替支城，一九一八年畢業於該城之高等學校，彼曾于紐約城研究名歌家，戲劇家，音樂家，演說家，藝術家等之工作，始則精讀原文之希臘，拉丁之戲曲。歸中國後曾居於北平，上海，廣州，杭州等市。彼譯斷鴻零雁記及阿Q正傳爲英文，出版於上海商務印書館，一九二六年後，彼乃專心研究中國戲曲，更精究北平之京戲，且彼之著作頗廣，諸如廣東劇，現代話劇，中國有聲電影，貧民之娛樂及北平之生活等，梅蘭芳最近遊美使中國之戲曲爲西人所注意者，彼與有力焉，蓋彼於一九二九年著之梅蘭芳及梅蘭芳遊美演劇之說明書二書，以介紹中國演劇家之藝術於美國公衆也，彼着之近代中國戲曲出版於北平法國書店，彼之論文曾見於上海之字林西報及中國雜誌，彼之著作則見於美國外交雜誌及亞細亞

Consul General Cunningham Completes 35 Years of Service

The completion by Edwin S. Cunningham, U. S. Consul General in Shanghai of 35 years in the American consular service, was celebrated by a reception Oct. 31 at the Columbia Country Club, where a portrait was unveiled by Judge Milton D. Purdy, of the U. S. Court for China. Mr. and Mrs. Cunningham, Judge Purdy, Dr. Anne Walter Fearn, Mrs. Harrison King, (President of the American Women's Club), and C. H. French (President of the American Chamber of Commerce) received the guests. Music during the reception hours was provided by the U. S. Marine Band.

The portrait, which will be presented to the American Government, was hung in the main lounge of the Columbia Country Club. It is the work of an American painter, Dwight Bridge.

Dr. Jacob Gould Schurman, former American Minister to China, expressed hisregrets at being unable to attend the reception.

Judge Purdy made a felicitous speech, to which Mr. Cunningham suitably replied.

In his reply, Mr. Cunningham said that the American community, with it's united fornt, with its unity of purpose, has gone forward during these past fourteen years (the length of time Mr. Cunningham served in Shanghai) and has increased its prestige and well-being here quite materially; whether considered from the standpoint of the number of Americans here, or from the standpoint of the quality, so to speak, of the American residents, from the standpoint of American investments, from the standpoint of American public institutions, American culture, American organizations of every kind, all had advanced materially during these years. From every standpoint American prestige and welfare had increased, and American importance in the greatest port of Asia had unquestionably become greater, Mr. Cunningham said.

Greater Shanghai Mayor to Inaugurate Campaign Against Bandits

Mayor Wu Te-chen, speaking at the weekly memorial service held at the Municipal Government of Greater Shanghai, Oct. 30, said there was vital relationship between the city of Shanghai and the task of bandit-suppression. The prosperity of Shanghai depended largely on peace and tranquility in the rural districts. Should the latter go bankrupt, the prosperity of Shanghai would be very seriously affected. In order to restore peace and tranquility in the hinterland as well as to rehabilitate the economic situation of the rural population, it was absolutely necessary to exterminate the bandits. The Mayor announced that a publicity campaign to arouse the people to the importance of bandit suppression would be launched.

Ford Gasoline Economy Test Held at Hongkong Shows Wonderful Efficiency

Covering 31.1 miles to the gallon, J. D. Lloyd won the competition for the V-8 Ford models, in the Ford petrol economy competition staged by Messrs. Wallace Harper & Co., Hongkong, Ford dealers, at Kowloon on October 14. Ng Chiu-yan made 49.52 miles to the gallon in a Baby Ford. Twenty-six Ford car owners took part in the competition. The cars made a complete circuit of the new Territory, returning to the services Station, a distance of approximately 52 miles. The figures are for U. S. gallons.

雜誌，中國之女伶一文爲倫敦晝報及美國文學雜誌所引用，並譯爲馬來文。最近倫敦泰晤士報登載彼關於舞臺及北平生活之論文。彼曾於北平，天津，上海，杭州，蘇州等地作多次中國劇曲之演講，彼有完善而罕有之藏書室，分藏流行之戲曲，以至關於舞臺之圖畫，攝影，名貴之書集，臉譜及剪裁之報紙等，幷有三百餘詳細之解注，凡名伶，音樂家，寫劇家彼盡識之，並能深究洞悉一切戲曲之詳情。最近，彼方搜集關於慈禧太后之材料，此項著作尙無人出版；預料他日寫著爲數篇散文，並後用爲一書或一劇之藍本也。住址：北平東城東總布胡同弘通觀九號—魏南昌譯

"The Seaboard Route to the North"

Travel on The

Peping-Liaoning Line

Starting at Peping, the ex-capital of China, called the most interesting city in Asia, with its intricate systems of walls, its Imperial palaces and its beautiful temples and tombs the Peping-Liaoning Line goes down to Tientsin, the great port of Chihli, and from there swings in a wide circle on its pathway to the north. From Lanchow to Chinchow the railway follows the line of the Gulf of Chihli, passing through Shanhaikwan, where the Great Wall ends at the sea, and thence on to Mukden, the ancestral home of the Manchus, a city which vies with Peping in its splendor of palaces and temples and ancient shrines.

Through tickets are issued and passenger's baggage registered through between the important stations on the Peping-Liaoning Railway and the South Manchuria, Chosen (Korean) and Imperial Japanese Government Railways. At Peiping connections can be made with the Peping-Hankow Railway and with the Peping-Suiyuan Railway and at Tientsin connections can be made with the Tientsin-Pukow Railway, for Tsinanfu, Nanking and Shanghai.

For information as to rates, schedules, accommodations, etc. apply to any Tourist Bureau, or communicate directly with the Superintendent of Transportation.

IMPORTANT NOTICE

Owing to the Japanese occupation of Manchuria, tickets are only sold to Shanhaikwan where the Peping-Liaoning Railway crosses the Great Wall. The Chinese Government Railways assume no responsibility for transportation or safety of passengers beyond Shanhaikwan.

Peping-Liaoning Railway

Head Office

TIENTSIN

An Advertisement of the Chinese Government Railways

No. 2

Men and Events

The Soviet Consulate-General in Tientsin started to function Oct 25.

Construction of the Haichow Harbor is proceeding apace. It is said that when completed the harbor will be the best on China's coast.

Maxwell M. Hamilton, assisant chief of the Far Eastern Division of the American State Department, is paying a holiday visit to the Far East with his wife.

The Ministry of Communications is contemplating the amalgamation of part of the telegraph service with the postal service.

Mrs. Victor Keen, who departed last summer on a trip around the world, is now visiting her parents in Los Angeles and expects to return to Shanghai in December.

The Chinese Y.M.C.A. has decided to call a national conference on January 23, 1934, at St. John's University in Shanghai.

Katsuji Debuchi, retiring Japanese Ambassador in Washington, is due to sail from San Francisco enroute to Japan on November 24.

The go-slow strike of about 500 Peiping school teachers in the municipal primary and middle schools came to an end Oct. 25, when they accepted the mediation of the Peiping Education Association and resumed work.

Mrs. Judah Ezra, wife of the convicted narcotic smuggler, sailed from San Francisco for Shanghai Oct 26. She announced that she had abandoned plans previously announced to secure a divorce.

Tracy Harrison Logan, connected with the American-Oriental Finance Corp., and Ruth Lowe of Tsingtao, were married Oct. 28 by Rev. Emory W. Luccock at the Community Church, Shanghai.

Preparatory steps have been taken for the early inauguration of a Rotary Club at Nanking. Rotary Clubs have been organized in Peiping, Hangchow, Shanghai, Tsinan, and Foochow.

The naval wharf at Hsiakwan, newly constructed by the Ministry of the Navy, was formally opened Oct. 25. Large steamers and warships can be bertned at the wharf, which is the largest built so far in Nanking.

An emigration bureau will soon be established in Shanghai by the Chinese Overseas Commission to give expert advice to Chinese nationals desiring to go abroad. Similar offices are contemplated to be opened at Canton, Amoy, Swatow, Hoihow and Koonmoon.

Admiral Francis Brooks Upham, new commander-in-chief of the American Asiatic Fleet, paid an official call on Gen. Wu Te-chen, the Mayor of Greater Shanghai, accompanied by E. S. Cunningham, American Consul-General, Oct. 21.

At a meeting of the Board of Trustees for the British Boxer Indemnity Refund at Nanking, Oct. 23, it was decided to hold the second examination for scholarships to Great Britain next July. Thirty-one students will be selected.

Mr. and Mrs. E. G. Whittaker were hosts on October 25 at a reception in honor of Miss Margaret Marshall, who recently came to China to join the faculty of McTyeire School. Mr. and Mrs. Whittaker are residing at No. 279 Route Culty.

The U. S. Government has conveyed its thanks officially to Japan for its assistance in helping to secure the release of Dr. Niels Nielsen, American missionary, from the hands of bandits near Hsiuyen, Manchuria, last week.

S. K. U. Chu writes to *The Review* to say that the article on the "Origins and Organization of the N.E.C.," which appeared in the issue of Oct. 28, was prepared by the Council's Secretariat, and that his name should not have appeared as the author.

Examinations for marine officers and engineers were begun at the Ministry of Communication Nanking, Oct. 23 under the direction of a special committee appointed by the Ministry. More than fifty candidates are now undergoing tests for certificates as captains, officers and engineers.

Dr. Leonard Fiske Wilbur, 26-year old son of Curtis Dwight Wilbur, former secretary of the U. S. Navy, sailed from the United States early in October on his way to China. Dr. Wilbur has decided to become a medical missionary and will be located at Fenchow, which city is located a considerable distance southwest of Taiyuanfu in the province of Shansi. Dr. Wilbur is a nephew of President Ray Lyman Wilbur of Stanford University.

Lord Marley arrived in Moscow October 28 from the Anti-War Congress in Shanghai.

A powerful radio station is under construction at Loyang and is expected to be completed before the end of this year.

Sir Arthur Salter, a member of the British Economic Advisory Council, is due in Shanghai middle of November for a brief sojourn.

The British troop-ship *Neuralia* brought the 2nd Bn. af the Worcestershire regiment to Shanghai during the week relaeving the 2nd Bn. of the East Lancashire regiment.

Plans for completion of the Shanghai-Hargchow-Ningpo Railway at the section between Tsaongoh and Hangchow are being considered by the Ministry of Railways and the administration of the S.N.H.R.

J. Fronck, manager of Haskin & Sells, has been appointed referee in bankruptcy for Hongisberg & Son, which firm before its failure was one of the principal distriubutors of automobiles in Shanghai.

Lieutenant-General Sadao Araki, Japan's War Minister, and Lieutenant-General Iwane Matsui, Commander-in-chief of the Formosan Garrison, were made full generals Oct. 20.

The Ministry of Finance Oct. 26 issued an order suspending the ban on the export of home-grown foodstuffs as well as their exemption from the customs export duty.

O. K. Yui, secretary to the Municipality of Greater Shanghai, will be host to the men of Community Church and their men friends at a tiffin at 1881 Avenue Joffre, Saturday, Nov. 4 at one o'clock.

Marion, daughter of Sir Sidney Barton, British Minister to Abyssinia, (formerly Consul-General at Shanghai), was married in Rome, Oct. 25 to Baron Falcone, Secretary of the Italian Foreign Office.

C. P. Warner, of Consolidated Aircraft Corp., Buffalo, N.Y. is in China making a general survey of this territory Carl Nahminacher and Leslie Lewis are the representatives for said company in Shanghai.

J. A. E. Bates, who for the past four years has been identified with Millington, Ltd., and associated companies, has severed his connection with same, and will shortly start an important publishing venture of his own.

S. F. Mayers, Chairman of the British Chinese Corp. London, addressed the Pan-Pacific Association of Shanghai Nov. 1 on "China's Determination to Progress" at Ladow's Tavern. Dr. C. T. Wang, presided.

Dr. Ping Chi, research professor in zoology at the biological laboratory of the Science Society of China, in a lecture in Shanghai Oct. 28 described the various species of invertebrates to be found in the lower Yangtsze Valley.

The Chinese Overseas Commission has received a report from the Chinese Association in Belgium reporting that the Belgian Government has ordered the deportation of several Chinese nationals.

Chinese reports quote an official of the recent national athletic meet as saying that the total expenses incurred by the committee in charge amounted to some $130,000, while the gate receipts aggregated about $17,000.

V. Meyer, head of Andersen, Meyer and Co. Ltd., accompanied by Miss Rose M. Meyer, have returned to Shanghai from an extended visit in Europe and the United States.

James Mills, correspondent for the *Associated Press* at Peiping, is now in Shanghai where he has charge of the local office while M. J. Harris, Shanghai correspondent, is on vacation.

Mrs. Don King, who recently brought an action against her husband for divorce, departed this week for her home in the United States. Mr. King is secretary of the American Chamber of Commerce.

In a petition to the Executive Yuan, the Ministry of Railways requests that the Ministry of Foreign Affairs be instructed to notify the Asiatic Petroleum Comany, through the British Consulate, to remove its oil tanks, situated near the wharf for the Pukow Train Ferry service, to a safer distance from the railway.

A Shansi and Suiyuan Provincial Products Exhibition was opened at the Drum Tower in Nanking Oct 29. The first floor of the tower has been allotted for displaying the machine manufactures of Shansi; the second for agricultural products; and the third for hand-made products of more than five thousand kinds; including tiger and leopard skins and furs of other animals.

More than a million pounds of feathers were exported from China to the U. S. A. during the first eight months of the current year.

D. Bourke Borrowes delivered a lecture on "The Importance of Forestry in Asia" before the North China branch of the Royal Asiatic Society, Shanghai, Nov. 2.

The bronze statue for Dr. Sun Yat-sen, will be unveiled in the Civic Centre of Greater Shanghai (Kiangwan) on November 12, (Dr. Sun's birthday) at 9 a.m.

Hassell Dick, U.S. consul at Port Elisabeth, South Africa, has been transferred to Amoy and Lynn Franklin who is now consul at Amoy, has been transferred to Barcelona.

Prof. W. A. Scharffenberg, director of the Home Study Institute of Shanghai which specializes in instruction in the Chinese language, is returning shortly from a trip to the United States.

Autumn military maneuvers were conducted by the authorities of the Central Military Academy at Nanking for three days commencing Oct. 26 outside the Chungshan Gate. Both the artillery and cavalry cadets took part.

Yin Tung, the new managing director of the Peiping-Liaoning Railway, arrived in Peiping from Tientsin Oct. 29. to confer with General Huang Fu, Chairman of the Political Affairs Readjustment Committee, regarding the administration of the Railway.

Dr. George Sellett, U. S. District Attorney, has returned from a business trip to Tientsin and Peiping. Dr. L. C. Sellett of LaSalle, Ill., a brother of the District Attorney, who has been visiting in Shanghai, is now in north China.

A. B. Morrison, graduate of the law department of Leland Stanford University, who recently was admitted to the practice of law by the U. S. Court for China, has gone to Tientsin where he will be associated with Dr. C. J. Fox, attorney and also publisher of the *North China Star*.

Mrs. Margaret Proctor Smith of Louisville, Kentucky, who has been residing in Peiping for the past year, was hostess to a large number of her friends in that city at a farewell reception at her home on Oct. 25. Mrs. Smith is shortly coming to Shanghai where she plans to spend the winter.

A total of 182 graduates of the Chiaotung University (which is under the Ministry of Communications) has been assigned to the various Government railways to serve as probationers. This includes the graduates of the University in Shanghai and its two colleges in Peiping and Tangshan.

In a communication to the International Sleeping Car Co., the Nanking-Shanghai and the Tientsin-Pukow Railway Administrations notifies that the agreement entered into in 1931—whereby a special coach (wagons lit) was attached to every special express train on the said railways—will not be renewed upon its expiration this year.

The Central Executive Committee has sent Chang Chi to Kiangsi to confer a flag of honor on the 34th Regiment of the Second Division commanded by Colonel Ong Kuo-hua, flag bears Chinese characters paying tribute to the regiment's gallant stand against a much larger force of Communists at Hsunkow, in Kiangsi.

The arrival of Edward Dunn, editor of a monthly journal in Shanghai known as *The Observer* (published in Japanese interests) in Tokyo last week was considered of sufficient importance to the *Osaka Mainichi* to devote almost a column to chronicling that event, Mr. Dunn being accepted by said journal as an authority on Chinese affairs.

A 10-story building to house the telegraph, telephone and wireless administrations of the Ministry of Communications in Shanghai will be built on the site of the present Shanghai Telegraph Administration, corner of Foochow and Szechuen Roads. Plans for the new building have been submitted to Dr. Chu Chia-hwa, Minister of Communications, for approval.

Major-General Frank J. Parker, forthcoming Philippine Commandant, at a farewell dinner in Chicago, Oct. 19, said that the Monroe Doctrine includes the world as a result of the Great War. He said: "The United States will regard as an unfriendly act self-aggrandizement and self-assertion by any nation whereby the peace and safety of America is endangered."

Prof. Verne Dyson, formerly a resident of Shanghai, but in recent years a member of the faculty of the University of the Philippines, is now doing research work at Columbia University, N. Y. Prof. Dyson attended the Institute of Pacific Relations at Banff, Canada as a delegate from the Philippines and while on his trip across the United States delivered a number of addresses on Far Eastern subjects. The bulletin issued by the Rotary Club at San Diego, Cal, said that Prof. Dyson's address was one of the most interesting ever delivered before the organization.

In the United States Court for China

In re. Estate of MIGUEL MORALES, ALIAS M. M. TORRECILLAS, Deceased	Cause No. 3565 Special Proceedings No. 924 NOTICE—AMENDED

Pursuant to an Order of said Court notice is hereby given to all persons having claims against the estate of MIGUEL MORALES, ALIAS M. M. TORRECILLAS, deceased, present the same with vouchers to the undersigned on or before November 4, 1933, and all persons owing debts to said deceased are hereby notified to make payments of the same in due course to the undersigned.

Shanghai, China.
October 9, 1933.

Chauncey P. Holcomb,
Administrator,
12 Kiukiang Road,
Shanghai, China.

Who's Who in China

(with Supplement)

The standard edition of *Who's Who in China*, published in 1931, has now been brought up to date through the publication of a 200-page supplement. The two books contain the pictures and biographical sketches of the leading men and women of affairs, in government service, business and the professions.

It's the only work of the kind in the English language, is fully indexed in both English and Chinese and most of the sketches contain the latest addresses in addition to information pertaining to date and place of birth, education, careers, etc.

No business office, home, school or public library is complete without *Who's Who in China* giving complete information about the leading men and women of affairs in the Chinese Republic.

If you already have the standard edition published in 1931, order the Supplement only. If not order both books. The prices in Chinese silver or U. S. currency, including postage are as follows:

	(In China)	(Abroad)
Standard Fourth Edition (1931)	$10.00 Ch.	$11.50 Ch. or U.S.$4.00
Supplement	2.50 Ch.	3.25 Ch. „ U.S. 1.00
Both Books	11.50 Ch.	13.50 Ch. „ U.S. 4.50

Send orders with check or postal order to the undersigned.

The China Weekly Review

38, Avenue Edward VII
Shanghai.

New Books of Interest in the Far East

Preparing the Manchurian Annexation

The Russo-Japanese Treatics of 1907-1916 concerning Manchuria and Mongolia. By Ernest Batson Price. 164 pp. Price U.S. $1.75. The Johns Hopkins Press, Baltimore. 1933.

This is the first adequate study that has appeared, in English at any rate, of the Russo-Japanese treaties from 1907 to 1916, showing the development, as ex-Minister to China MacMurray says in an introductory note, "from a mere truce of mutual tolerance, between Japan and Russia, to a full alliance within a dozen years from the close of the war waged between them in Manchuria." The book contains the texts of these treaties, public and secret, both in English and the original French, photostats being included of the documents covering the secret conventions.

Price starts off by giving the "background of international relations in northeastern Asia," following this by a chapter on "early efforts at Russo-Japanese understanding," then chapters on the treaties of 1907, 1910, 1912, and 1916 respectively, concluding with one on "the present status." There is a map (showing clearly the Russian and Japanese spheres of interest in Manchuria and Mongolia as delimited by their secret treaties), a series of very useful notes, an annotated bibliography, and an index.

What is made clear through this series of treaties is the manner how, in the decade following the Russo-Japanese War, the Japanese extended and consolidated their position, gaining quite as much through their diplomacy of those years as they did through the War itself. Furthermore, they deliberately postponed annexation while they were extending their sphere, with the result that today they control not only South Manchuria (their "sphere" after the war with Russia), but North Manchuria (and eastern Inner Mongolia) as well, formerly within the Russian sphere.

Nearly forty years ago Japan occupied the most vital part of South Manchuria, the Liaotung peninsula, which China was forced to cede. Intervention by Russia, Germany, and France, however, compelled the Japanese to give up this territory, which Russia (secretly allied with China for the time) took over (on "lease"), soon afterwards creating a zone of Russian control along the Chinese Eastern Railway through both North and South Manchuria, and early in the century occupying Manchuria as a whole. Britain was most apprehensive of Russia's southward push, and established the alliance with Japan which encouraged the latter (further supported by the United States) to make war upon the northern Empire. There were many misgivings in Japan about the possible outcome of such a struggle, and Prince Ito and others stood strongly for an alliance with instead of against Russia, but the militarists won the day. (Price seems to be mistaken in his statement that Yamagata "worked so hard for a Russo-Japanese Alliance in 1901 and 1902," as Yamagata was almost all-powerful in Japan at the time, and could have engineered this orientation had he really desired to do so.) The war with Russia followed. Japan's militarists were almost discredited, as it was a fearful struggle against a much stronger Power, but quick and decisive action at the start while Russia was unprepared for such a conflict, then the internal upheaval in Russia, and then most astute diplomacy, turned defeat into victory. Japan, though utterly exhausted, gained control of Korea, the Liaotung peninsula, and the southern part of the Chinese Eastern Railway and its zone.

The Japanese were now most anxious for a rapprochement with Russia which would secure their new position and fend off a possible war of *revanche* which they were ill prepared to meet. Russia's ally France now came in. France had no quarrel with Japan, her own possessions lying at the other extreme of China, and was anxious to establish friendship with this new Power of the Orient. Furthermore, Japan showed her knowledge of French psychology by floating a loan on the French market. The announcement of its successful flotation (says Gerard, French Minister to Japan at the time) "was the signal for the opening between the two governments of the active phase of the negotiations" which concluded the Franco-Japanese Alliance for mutual support in the regions of China "adjacent to the territories where they have the rights of sovereignty, protection or occupation" (i.e., the provinces along China's southern and northeastern border—and Fukien—respectively). This Alliance has been loyally adhered to by both parties down to the present day.

The conclusion of this entente was even more important than Price makes it. For Russia, by it, lost her one ally against Japan. Active British participation in the Russo-Japanese War had been prevented by the Russo-French Alliance, but the new agreement vitally altered the situation. Britain was allied to Japan, France was pledged to the support of Japan in Manchuria, and Russia stood alone. There was no hope, now, for a war of revenge, and in the treaties concluded seven weeks later Russia gave Japan even more than she had given at Portsmouth, agreeing not only to maintain the status quo, and not to obstruct each others' activities in their respective spheres, but also to move the line of demarcation north from Changchun to the Sungari.

Soon after this came a new factor,—a change in the American attitude. Roosevelt, with his pro-Japanese policy, was supplanted by Taft in 1909, and an attempt made to establish Morgan and Harriman interests in Manchuria. The Japanese were inclined to agree, in part, if they could participate to a sufficient extent, but China refused the Japanese conditions, and Japan [illegible] joined hands with Russia publicly, the two declaring their mutual co-operation for the maintenance of the status quo, while secretly they concluded an entente by which each recognized the right of the other, within its own sphere, "freely to take all measures necessary for the safeguarding and the defense" of its interests, and agreed to mutual suport in this "in the event these special interests should come to be threatened.'

Russia now considered the practicability of actual annexation of North Manchuria, regarding it as an "imperative necessity," and it being a favorable time because, the Minister of War declared, "the Japanese are very evidently preparing the annexation of Southern Manchuria." Russia was not sure of Japan, however, and she anticipated opposition not only from America but from Britain. Recognizing annexation, under the circustances, as involving "the risk of a great war," the Ministerial Council decided it was "dangerous at the present moment," but that their "stipulated privileges in Northern Manchuria must be maintained in full to permit eventually an annexation at some future date."

It was Japan's caution which evidently postponed annexation. Japan could have relied upon British support, which she considered much more important than the American attitude, and joint annexation seemed wholly practicable. It now seems clear, however, that Japan did not wish to see Russia establish a definite barrier to Japanese expansion by taking over North Manchuria.

Mongolia was another point of difference. Russia had claimed this as her special sphere, a claim which Britain was prepared to recognize in consideration of Russian recognition for Britain's "freedom of action" in Tibet. Japan, however, encouraged by her alliance with France (which had included Mongolia among the regions "in which Japan had special rights"), in the 1907 secret treaty with Russia recognized the latter's "special interests" only in "Outer" Mongolia. Five years later, by the secret treaty of 1912, Russia recognized Japan's "special interests" in eastern Inner Mongolia, as far west as the meridian of Peking,—the meridian to which "Manchukuo" has now extended its western boundary.

With this further expansion of Japan's sphere, the Russians evidently expected her to be agreeable to the plan for annexation, but she still held off. When the Russian Ambassador asked what the Japanese intentions really were, Foreign Minister Motono said that "the annexation of Southern Manchuria would come about of its own accord in due course, and it was not necessary to hurry about it; concerning Mongolia, he does not believe any definite plans to have been formulated at Tokyo."

Annexation, while on the Japanese program, was apparently not to be hurried while Russia still controlled North Manchuria. In 1916, however, with Russia in great need, the secret Russo-Japanese military alliance was concluded, evidently directed against the United States, then so influential politically in China. Also, an agreement provided for the transfer to Japan of the section of the C.E.R. between Changchun and the Sungari, the northern limit of the Japanese sphere as demarcated in 1907, and Japan was to furnish Russia with a supply of

arms and ammunition. (This section of the railway was not, however, actually transferred)

The Russian revolution put an end to this period of rapprochement and secret treaties for the division of northeastern China between Imperial Russia and Imperial Japan. For a while, indeed, it enabled Japanese troops (encouraged not only by Britain and France, but by the United States as well) to occupy all Manchuria and Far Eastern Russia as well, under the guise of "intervention," but the termination of the Anglo-Japanese Alliance left Japan isolated except for her old entente with France. Not until 1928 was there a renewal—in modified form—of the Anglo-Japanese Alliance, but Japan evidently considered it unsafe to act upon this until the Labor Party was ousted in August 1931 and a Tory-dominated "National" Government took power in Britain. The occupation of Manchuria and Jehol followed.

From one viewpoint, the study of these Russo-Japanese treaties reveals genuine shrewdness on the part of the Japanese diplomats. Their continual strengthening of their position vis-a-vis Russia, while steadily postponing actual occupation, has borne fruit in the present situation. Had Japan been less cautious in 1907, Russia would almost certainly have supported the "independence" of "Inner" as well as "Outer" Mongolia in 1911. And had annexation of Manchuria been proceeded with at that time, as Russia desired, the greater part of Manchuria also would have become Russian territory, and would probably remain so today. There has been an astuteness in the Fabian tactics of Japanese diplomacy which must excite the admiration of all followers of Machiavelli.

H. H.

A Hand Book of Hawaii

Hawaii and Its Race Problem, by William Atherton Du Puy. United States Government Printing Office, Washington.

The author of this little book of 130 page is Executive Assistant to the Secretary of the Interior and presumably was chosen as a trained investigator to make for the Government of the United States a disinterested study of the Islands and their racial problems. It is natural no doubt that, coming under the spell that the Islands seem to have cast on all visitors from Captain Cook's time until now, the author should spend most of his time describing the Islands and write a final chapter on the races who dwell there and their problems.

This is not meant as a serious criticism of the book, for the evolution of Hawaii, the attractions of its climate, its surf-bathing, its fruits and flowers, the beauties of the scenery, and the unparalleled success of sugar, pineapple and cattle raising there all help in making it the melting-pot of the races that it has come to be. Where nature is prodigal, human nature must needs be democratic, which helps to explain no doubt why there is no other place in the world where so many races dwell in close proximity with so little evidence of racial antagonism.

In the autumn of 1931 an incident occurred in Honolulu which claimed newspaper space throughout the world. Many newspapers, reacting as a result of known racial strife elsewhere, concluded that a delicate race situation existed in Hawaii. As a matter of fact the author can confidently state:

> "This talk is based on a lack of understanding of the relations between the races over there. In the States race conflicts and race prejudices are often intense. In the Islands they are practically nonexistent. The masses are of a common, lowly and unpretentious origin. The whites through a century have felt sympathetic toward them. The social question of race has never been raised. It does not exist. It is never raised except by some outsider who brings his prejudices with him or some continental newspaper which bases its interpretation of events in Hawaii on race prejudices that exist where it is published."

The book is of interest to all who have visited the Islands, even if all these cannot share the author's enthusiasm to the point of preferring the papaya to a luscious canteloupe. It is a good handbook to the person who is contemplating a trip there. And it is of greater value still if it convinces the reader that "Race prejudice is a mad, intense, unreasoning thing, and arousing it where it does not exist is an act as malicious as the introduction of the plague."

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THE PAN-PACIFIC CULTURAL ASSOCIATION

Has reprinted for general distribution in pamphlet form the treatice by the late B. H. Chamberlain, Emeritus Professor of Japanese and Philology at the Imperial University of Tokyo, entitled,

"THE CREATION OF A NEW RELIGION"

The pamphlet contains in its 10 pages a complete exposition and analysis of Shintoism and Empire-worship, regarding which the world is now beginning to hear so much along with the so-called doctrines of Pan-Asianism and Asiatic Monroe Doctrine.

Price, including postage, 30-cents a copy. Orders sent to *The China Weekly Review* will be forwarded to the publishers for execution immediately.

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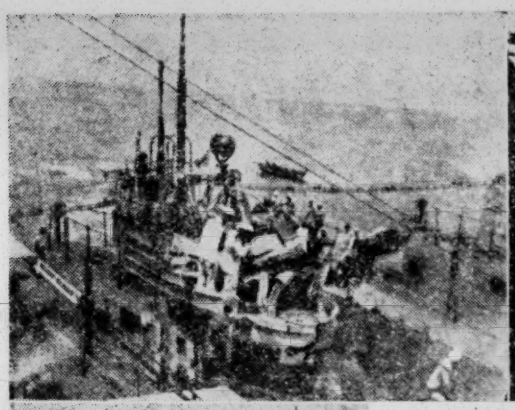
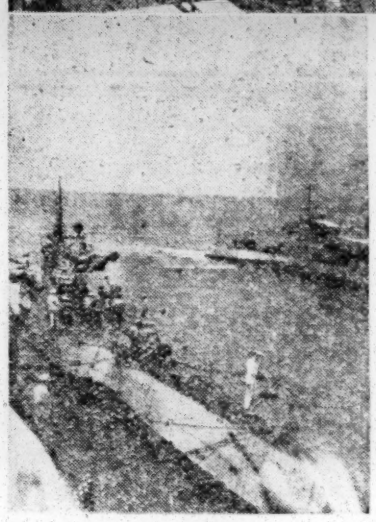
AMERICAN JAPANESE "AMENITIES" AT TSINGTAO LAST SUMMER





The three pictures shown herewith are different views of the U. S. Submarine "S-38" which allegedly was rammed by a Japanese steamer while conducting maneuvers in the vicinity of Tsingtao Bay during the past summer. No public report on the incident apparently was issued by the American naval authorities, but according to the report brought to Shanghai by American sailors the action of the Japanese vessel in ramming the S-38 had all the appearances of being deliterate rather than accidental. The American boat was engaged in maneuvers at the time and the Japanese allegedly were aware of the area in which the Americans were operating. It was claimed the S-38 was down a considerable period before it could be raised. There were no casualties among the 35 officers and men aboard the ship.

American sailors also claim that Tsingtao was a more or less "hot-spot" during the summer from the standpoint of unofficial clashes between American and Japanese sailors, most of the clashes occurring in the bars and cabarets frequented by the men of the two fleets. One report, not verified, claimed that two American sailors were killed while 11 others were sent to hospitals, the total number of casualties suffered by American sailors or petty officers being 17. It also was alleged that a Japanese warship once deliberately fired two shots over an American gunboat and did not apologize for the "indiscretion" or accident, whatever it was.

American sailors alleged that most of the clashes between Japanese and American sailors were precipitated by Japanese and were a direct result of anti-American propaganda spread in Japan by the higher Japanese army and naval authorities. The pictures shown herewith indicate the damaged portion of the S-38's superstructure, following the ramming by the Japanese boat.

Monarchy Predicted for Manchukuo Next Spring

According to the Dairen correspondent of the London *Daily Telegraph*, Manchukuo is expected to be proclaimed a monarchy under Henry Pu Yi, Chief Executive of the New State, in the early spring. Whether it will be a continuation of the old Chinese dynastic style or a Constitutional Government has not yet been decided.

In compliance with the request of the Manchukuo Government, the Japanese Department of Justice has decided to recommend Procurator Furuta, of the Court of Cassation, to the Directorship of the General Affairs Bureau of thatGovernment.

The Japanese Department of Finance is to draw up a plan for control of currencies in Japan and Manchukuo, so as to attain a complete standardization of currencies under the existing system. The old paper notes are to be superseded.

Manchukuo Plans Small Administrative Districts

The Manchukuo Government has decided upon an intensive centralization program, which will be carried out early next year. This will provide for the abolition of the five provinces comprising the new State and their division into smaller administrative districts under the direct control of the Central Government in Changchun.

The newly established Hsinking Engineering Institute was formally opened at Changchun on November 1. It will have a one-year preparatory course and another year and-a-half year regular course. Boys over 14 years of age will be admitted. Graduates of the institute will have the preferential right of obtaining positions under the Manchukuo Government.

A party of mayors from the principal cities of Manchukuo will leave Changchun for Japan on November 6, in order to inspect the administrative systems in the chief cities there.

In connection with the Soviet protest against the arrest of three Russians by the Manchukuo River Fleet, and the demand that the Russians be released at once, Manchukuo has replied that the point at issue is whether the island in question belongs to Manchukuo or Soviet Russia. Manhukuo says it has a legal claim to it.

Franco-Manchurian Investment Syndicate Capitalized at Yen 100,000

The Franco-Manchurian investment syndicate is reported to be capitalized at Yen 100,000. The officials are to be allotted equally to the French Association for Economic Expansion and the South Manchuria Railway Company. It has transpired that the delay caused in the negotiations was due to the fact that Andre d'Olivier at first demanded in the course of the conversations recognition by the Manchukuo authorities of French priority in the matter of investment to all other nations, but later dropped the idea.

British interests are understood to predominate in the new company formed by the Franco-Asiatic Bank, the Chosen Corporation and Japanese interests to exploit and prospect mines and deposits in Manchukuo. The capital of the new company will be approximately £50,000. Work will be started as soon as Manchukuo Government authorization is granted. The mines to be exploited were formerly Chinese-owned. The Chosen Corporation is expected shortly to open an agency in Seoul to facilitate the exploitation of the mines.

Commenting on the reports that M. Andre Honnorat former French Minister of Education was visiting Japan and that M. de Lidier, representative of the French national association of expansion, had signed a contract with the South Manchuria Railway for the investment of French capital in Manchuia. Chinese circles in Nanking state that M. Honnorat's visit is for cultural purposes and has no economic political significance while M. de Lidier, who has no connection with Manchukuo, signed the said contract in has capacity as a private individual.

A statement issued by the French Government in connection with the formation of a Franco-Japanese society in Manchuria, stated that the National Association for Economic Expansion had informed the French Foreign Ministry that M. d'Olivier was sent to Manchuria by private enterprises and that his voyage has no other purpose except that of commercial information.

Jardines to Close Harbin Branch

The Jardine Engineering Corporation, a British firm, will close its Harbin branch on December 1. The Mukden branch of the company was closed some time ago. Andersen, Meyer & Co., agents for the General Electric

Co. were also reported to be planning to close their Mukden office before the end of the year, but this was denied by V. Meyer, head of the firm.

A huge pigeon farm is being built at Kungchuling, near Changchun to accommodate 800 carrier-pigeons owned by the Kwantung army. A carrier-pigeon association in Japan has donated Yen 4,000 for the Kungchuling pigeonery. One half of the donation has been used in erecting dove cotes.

The Police Bureau of Kirin Provincial Government has started teaching jujitsu to 180 picked policemen from various districts of the province.

The board of directors of the South Manchuria Railway Company announces that it has appropriated a total approximating Yen 60,000,000 for new enterprises for the ensuing business year.

Manchukuo to Pay Debts of Old Regime in Bonds

Manchukuo has decided to pay, in bonds, the remainder of the debts incurred by the old regime and recognized by the new State. A sum of Yen 2,430,000 will be paid to Japanese creditors, Yen 1,949,000 to Manchukuo subjects, Yen 2,270,000 to Germans; and the rest to others.

Regulations Approved for 1933 Customs Bonds

The Legislative Yuan Oct. 27 approved the regulations governing the issue of $100,000,000 worth of 1933 Customs bonds.

Commenting on the Inter-Provincial Food Conference at Nanchang, the *Shun Pao* in an editorial urges that in order to alleviate the plight of the rural population, the first step the Government should take is to rehabilitate the financial situation of the various districts. The chief causes underlying the depression in the rural districts, it says, are the heavy burden of taxation and the series of human and natural calamities—the dumping of foreign rice on the domestic rice market being merely an immediate cause. While it has been proposed at the Nanchang Food Conference that the various exorbitant taxes should be abolished so as to alleviate the plight of the rural population, the journal remarks that under present conditions when the district authorities are experiencing financial difficulties, it is hardly likely that the proposal, if adopted, can be carried fully into effect.

President Wang Ching-wei received a delegation representing the sugar merchants of Hainan Island at Nanking, Oct. 4; the latter submitted a petition for adequate protection of the interests of the sugar merchants in that island against the alleged arbitrary actions of the Customs there.

Reduced Coal Rates Continued

In compliance with the request of the Railway Administration, the Ministry of Railways has sanctioned the extension for another year of the regulations for special freight rates on coal transported on the Kiaochow-Tsinan Railway, which expired on Oct. 20. The regulations provide that a rebate of 20 per cent be given on coal destined for export and 10 per cent for domestic consumption.

A readjustment of the salt taxes with a view to securing uniformity of rates throughout the country has been called for by the National Government in identical orders to the Executive and the Legislative Yuans.

Austrian Doctor Found Guilty of Swindling Chinese

Dr. Serbousek, Austrian physician, was found guilty of obtaining $100,000 by fraud in conjunction with Dr. Biza, dental surgeon now at liberty, from M. Wong, a Frenchtown Chinese resident, under the pretense of opening a hospital in the Second District Court Oct. 28. He was fined $1,000, and in addition, was ordered to repay the $100,000 to Wong. The defense was that whatever money was turned over to Wong was for the purpose of securing protection for running a gambling house—not for a hospital.

Real Estate Review of the Western District by Realty Investment Company

Going into the western part of the city and gaining a view of the growing skyline, people continue to express surprise at the number of large apartments. In looking at Shanghai it is well to remember it is a large city and is continuing to grow, and of course there is a constant demand for better places to live. The most recent addition in apartments will be at the corner of Route Vallon and Rue Cardinal Mercier. The apartment house will be eight floors with all modern improvements—the permit was granted recently and work has already started on the foundations. Additional building permits have been issued in the Western District for the construction of 18 bongs with 2nd story located on Rue de la Tour. Four European residences with garages on Route Lesendre. Six European residences with three stories and attic on Route Delastre, and many others.

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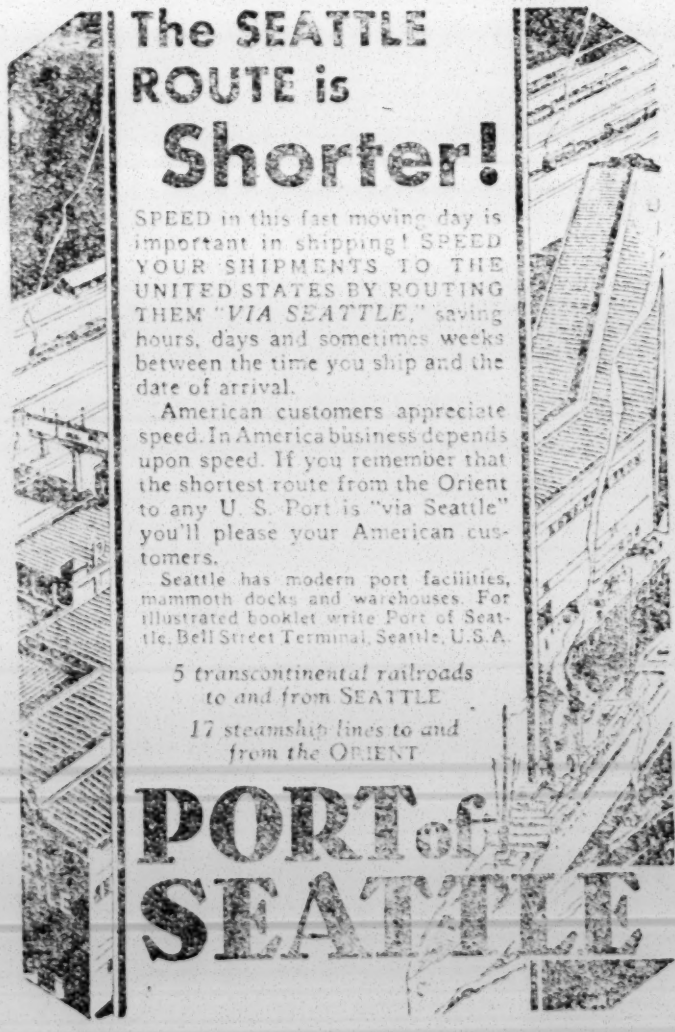
All applications and inquiries should be addressed to the Director at 1954 Avenue Haig, Shanghai.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"Symposium on Chinese Culture," by Sophia Chen Zen ..... Price M.$ 7.50

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THE CHINA WEEKLY REVIEW

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The National City Bank of New York, Rates of Exchange

Shanghai, Nov. 1, 1933.

Demand selling rate on America:	U.S. $100=Sh. $320.00
Demand buying rate on America:	U.S $100=Sh. $316.20
Demand selling rate on London:	£1.0.0=Sh. $ 15.48
Demand buying rate on London:	£1.0.0=Sh. $ 15.23

Latest New York Stock Exchange Quotations

Market— Business Done 1,130,000 Shares

November 1, 1933

1932-3 High	1932-3 Low	Div.$ per Sh.	STOCKS	Mon. Oct. 30	Tue. Oct. 31
18¼	1⅝	—	Adams Express	7½	7½
132	7⅜	.60	Alaska Juneau	26⅛	27⅝
43⅛	12½	6.00	Allied Chemical & Dye	127	127⅝
97½	29⅝	4.00	American Can	87	87
19⅝	2	—	American & Foreign Power	8⅝	8
41⅞	5	—	American & Foreign Power 7% Pfd.	17¾	16¾
12½	1¼	—	American & Foreign Power Warr.	Unq.	6¾
23⅝	1¼	—	American Metal Co.	18	18⅛
53⅛	5¼	—	American Smelting	40⅜	41⅝
137¾	69¾	9.00	American Telephone & Telegraph	132	134
94¾	14	5.00	American Tobacco "B"	7 ⅛	72⅛
43¼	11	1.00	American Waterworks	18¾	18½
22⅞	3	—	Anaconda Copper	13¾	13⅝
14⅝	4⅛	—	Atlas Corporation	10⅛	10
151¾	28¾	2.00	Auburn Automobiles	85½	86
87⅞	33¾	—	Baltimore & Ohio	2 ⅛	21½
49¼	7¼	—	Bethlehem Steel	27½	27¾
43⅛	19	1.60	Borden Company	21	22
21⅝	9¾	—	Borg Warner	14½	14
20⅞	7⅛	—	Canadian Pacific Railway	12⅝	12½
103¼	16¾	—	Case, J. I.	61¾	62¼
17⅞	10	1.40	Chase National Bank	19⅝	19½
52¼	17⅛	2.00	Chesapeake Corp.	30¼	30½
51⅜	5	.50	Chrysler Corp.	28⅝	28⅝
29¼	4¼	.80	Columbia Gas & Electric	12⅛	11⅜
7⅝	1¾	—	Commonwealth & Southern	2	2
69¾	21½	3.40	Consolidated Gas of N. Y.	39½	39½
19½	7¾	—	Continental Oil	16½	6⅜
90½	24¾	3.00	Corn Products	75¼	74⅞
7½	1¼	—	Coty Inc.	3½	3¾
4⅜	⅞	—	Curtiss Wright Company	2½	2¼
18⅝	5	.75	Douglas Aircraft	12½	13
85¾	20	2.00	Du Pont de Nemours	73½	73⅞
90¾	35½	3.00	Eastman Kodak	70⅝	71
48	5	6%S	Electric Bond & Share	15⅝	15½
18	2¾	—	Electric Power & Light	5⅝	5⅞
18½	15	—	Fox Film	15	15⅛
10¾	2⅞	—	General Aviation	5½	5⅝
20¼	8½	.40	General Electric	18½	17⅝
40½	10⅝	1.80	General Foods	31½	31¼
84⅞	7⅜	1.00	General Motors	26½	25¾
49¼	6¼	1.00	General Railway Signal	29¼	29½
27¾	9¼	.20	Gold Dust	17¾	17
47½	5½	—	Goodyear Tire & Rubber	20	20⅞
40	9¾	—	International Cement	29½	(Unq.
45	10⅝	.60	International Harvester	31⅝	31⅞
23¾	9½	—	International Nickel	19⅝	18¾
21¾	2⅝	—	International Telephone & Telegraph	11¾	11¾
60¾	10	—	Johns Manville	47	46½
28	4⅞	—	Kennecott	20½	19⅝
79⅝	30½	2.40	Lehman Corporating	62	61
99	31½	*1.00	Liggett & Myers, "B"	85¼	83¼
37¾	9½	1.00	Loew's Inc.	36	36½
25¼	9	1.20	Lorillard P. Co. (Com.)	17½	17½
46¾	12	1.00	McIntyre Porcupine	45½	45½
28¾	9½	—	Montgomery Ward	11¾	11¾
81¼	10¾	1.00	National City Bank (bid price)	30½	30½
19¼	12	—	National Distillers	16¼	16½
59½	8¾	—	New York Central	29¾	29½
45½	13⅝	8%S	North American Company	16¼	15¾
26¾	12	2.00	Owens Illinois Glass	23½	23
37	16⅞	2.00	Pacific Gas & Electric	19	19
6⅞	1¼	—	Packard Motors	3¾	3⅝
42½	6¼	.50	Pennsylvania Railroad	24⅞	25
6¼	1	—	Penn-road Corporation	2⅞	2⅞
19¼	2	—	Phillips Petroleum	14	14
13¼	2½	—	Radio Corporation	6¾	6½
7¾	1	—	Radio-Keith Orpheum	3¼	3⅜
51	26½	3.00	Reynolds Tobacco "B"	47½	47½
47	9⅞	—	Sears Roebuck	35⅝	35⅞
11⅝	2½	—	Shell Union	7⅝	7⅜
15½	5½	—	Socony-Vacuum Corp.	11¼	10⅞
32⅜	15¾	2.00	Southern California Edison	16⅜	16
31¼	5½	—	Standard Gas & Electric	Unq.	9⅜
42⅜	19⅞	1.00	Standard Oil Co. of N. Jersey	40½	40¾
67	51¼	—	Sterling Products	52	51⅞
13¾	1¼	—	Studebaker	4½	4
29¾	9¼	1.00	Texas Corporation	24	23½
41	19	1.00	Texas Gulf Sulphur	31⅝	32
9¼	2¼	—	Trans America	5¾	5½
51⅞	15¼	1.00	Union Carbide & Carbon	39¼	39⅜
132	27½	6.00	Union Pacific	105	104¾
41⅝	6½	—	United Aircraft & Trans.	26⅝	26⅞
14½	3¼	—	United Corporation	5¾	5½
25	9½	1.20	United Gas Improvement	10½	10½
25	11¼	—	U S Rubber	14½	14½
67¼	21¼	—	U S Steel	39⅞	39⅜
51½	11	*2.40	Universal Leaf Tobacco	41	Unq.
36¼	5¼	—	Vanadium	17	17¼
9⅞	½	—	Warner Bros. Pictures	6½	6½
89¾	15⅝	—	Westinghouse E. & M.	31¾	31⅞
50⅞	22	2.40	Woolworth	36⅞	36⅝

*Plus Extras Call Money ¾% ¾%

SWAN, CULBERTSON & FRITZ

Swan, Culbertson & Fritz

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NATIONAL STATE LOTTERY ADMINISTRATION

LOTTERY No. 2

DRAWN 31st OCTOBER, 1933

Holders of winning tickets may receive payment, on application, at the Central Bank of China, Bank of China, and Bank of Communications, or at any of their branches.

Prizes unclaimed after 30th April, 1934 will be forfeited.

Copies of the Official Prize List may be had after 2nd November, 1933, on application.

Shanghai, 1st November, 1933.

LOY CHANG,
Director-General.

PRIZE LIST

1st PRIZE $500,000 435323

2nd Prize (Two prizes each of $100,000) 074715 131574

3rd Prize (Four prizes each of $50,000) 022857 143230 185469 379825

4th Prize (Ten prizes each of $10,000)

042371 136084 158417 165177 167046 238782 338775 343616 474820 495632

5th Prize (Fifty prizes each of $2,000)

042246 091753 110320 149018 202691 239422 264567 350150 395136 448352
078393 094409 112008 153784 220373 243655 282433 353501 397032 454306
078633 106600 139156 162917 225246 250464 311080 357730 420114 468366
083169 106661 144060 178302 230467 261956 326328 359576 437976 473536
090307 109196 147974 188845 236736 263601 344497 386516 446705 475433

6th Prize (One hundred prizes each of $500)

002189 038835 101457 134958 184447 231125 289789 347485 399383 451622
002443 049074 102611 135578 184482 232960 295231 357648 405322 460434
006376 053164 106584 136288 194878 247612 299833 358481 407072 461167
012663 055212 106776 136797 196675 266716 304943 364841 408037 464467
012713 056072 108075 142932 197995 267601 312963 364988 410842 467523
021726 062958 111696 164678 199583 272697 326108 367887 413975 477887
029447 067650 112407 166371 204002 274217 326857 373681 418388 489988
030285 090990 113973 175871 219289 281445 334379 386394 419811 490538
033689 092879 120767 178267 221796 281562 337897 394501 444881 496007
038485 096189 130962 182793 223306 285395 339483 396554 448166 496223

7th Prize (Five hundred prizes each of $200)

000880 057500 111431 161488 202876 257091 307529 350768 401150 459990
004962 057623 111433 163261 203008 258043 309020 353142 401179 460146
005148 058813 111835 163773 203945 260882 309630 357381 403278 460745
006665 060166 113855 165203 207798 261864 309930 358293 403522 461249
006819 060922 114233 166282 209056 261950 310499 358734 403647 462660
008690 062337 115987 168099 210380 263642 310914 358960 405438 463170
008788 064145 117082 168976 212693 268021 312320 360558 405511 463218
009162 066307 117551 169792 213163 268577 312657 360753 407479 463822
009675 068010 118588 172540 213578 268761 314085 361436 408969 464829
011767 068078 119199 173101 213631 269394 315010 361923 409822 464954
012438 070714 119814 174550 213648 269967 316435 363266 409831 465186
013048 070720 119846 174720 214224 270700 317317 364859 409989 465210
014118 070979 121294 175924 214985 270905 317698 364974 412029 467826
016601 071344 121349 176428 215590 272724 317864 367359 414266 468423
016992 072300 121833 178350 217656 273063 318447 367389 415015 470099
018409 073637 122423 178436 218373 273108 319910 367673 415048 470145
018705 075342 122814 179135 218382 273632 320735 368448 415065 472258
021410 077342 122980 179192 219997 277423 320881 369067 416061 472541
021480 077900 125116 179259 220306 277680 323014 369351 416375 474674
021606 084294 125423 181074 220386 277732 323927 369386 417232 475076
022149 084591 130132 181212 221288 280297 325305 369453 417583 477975
023038 088979 130251 181403 221870 281396 326848 371124 419708 478410
024500 089539 130395 182661 224726 284293 327162 373106 420312 479849
027314 089930 130550 183522 225035 285365 329965 373300 421766 481569
028536 094208 134642 183954 225222 285776 330552 374309 421867 482059
028733 094212 135813 184407 225292 286298 332633 375580 427554 482187
028847 094688 136571 184607 225725 297220 333832 378024 427782 482229
029719 095328 137570 184700 226981 287525 333899 378663 431131 483082
030310 095502 137709 184934 228477 288027 334620 379518 431644 483566
032032 095757 138351 186651 228830 290272 335286 379595 431781 484320
032313 096404 138438 188268 229930 290717 336979 380600 431783 485450
032464 097913 139048 188451 229970 290885 337301 381345 433266 485595
032545 098254 140272 189607 231170 292000 338172 382382 433529 485742
033849 098330 140725 192005 233799 292141 338923 383218 434243 485912
039753 098692 141767 192956 235024 292350 339588 384012 434500 487518
040677 099040 142132 193459 239722 295048 340071 384825 435031 487658
042674 101075 142249 193828 242042 297058 342035 387597 436468 488740
044131 101687 142908 194541 245315 297568 342127 388559 436774 490361
045621 102357 144874 195085 247281 298296 343608 389225 437051 491543
046882 102609 145568 195409 248200 298739 343930 389319 439082 491693
049043 103129 146486 196119 249005 298873 344263 390415 440680 492641
052065 103933 147236 196461 249565 300092 346336 390452 440964 493197
052694 104471 147766 197465 249907 301595 346368 392419 442378 495755
053260 104957 148216 198044 250650 301720 347989 393932 447013 496958
053566 106627 149407 198234 250943 302551 348205 394113 449204 497328
054137 107641 149947 199684 251449 303166 348383 394561 449636 497972
054319 109240 150000 200224 251882 303785 349874 397783 450408 498232
054870 109605 152476 201223 252818 304311 349999 399499 453277 498477
056057 110303 156395 201467 252869 304738 350141 399962 458328 499588
056662 110751 161231 202819 255113 305383 350629 400642 458591 499975

8th Prize (4,999 prizes each of $70. Tickets whose last two figures correspond to the last two figures of the 1st Prize Ticket Number) All numbers ending in 23

9th Prize (44,999 prizes each of $20. Tickets whose last figure corresponds to the last figure of the 1st Prize Ticket Number) All numbers ending in 3

SPECIAL PRIZE 289779

From a "4" to an "8"—
Progress

Ford V-8 4

Henry Ford
Dearborn, Mich.

We did not invent the 8-cylinder car. What we did was to make it possible for the average family to own one.

It is not the number of cylinders that is new to us. We have made motors with every number of cylinders now in use, from 4 to 12--and experimentally up to 24. We early settled on the "4" as most practical for that time, and the "4" became standard all over the world.

When motoring conditions in this country permitted a step forward, we considered what form the engine should take. Convinced that cylinders in multiples of four offered the best results, we decided that our next step must be an "8" All our research and experience favored this rather than any intermediate number of cylinders.

Up to that time the "8" had always been a big engine, a costly motor for the rich. Its price was high. It was expensive to operate. But that was because it was designed for use only in heavy, high-priced cars. It had never been adapted to lighter cars.

Before the "8" could be put within reach of the average purchaser, we had to find a way to build it at low cost.

We have done that. Our Ford V-8 is in the price class of our "4". It is not more expensive to operate. In size and weight our V-8 engine is suitable to our medium-size car It gives you 80 horse-power--built up from the impulses of eight small cylinders.

The newness of the "8" to the majority of American car drivers is clearly shown by the question, "But isn't it more expensive to run?" Everyone would prefer an "8" but they reason that 2 times 4 is 8; and they think that an "8" must require more fuel than a "4".

This is not the fact. It is not the number of cylinders, but the weight of the car and the efficiency of the engine that determine the quantity of fuel used.

It stands to reason that if we had not mastered Price and Economy we never could have offered the Ford V-8 in the low-price car field. We have to build a car that has everything a car ought to Have, and that people can afford to buy.

The V-8 is the coming car for the majority of American drivers. As always, we have done the pioneer work. It will be only a short time until motor manufacturing practice will follow the trail we have blazed.

Henry Ford

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